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

**REGIONAL REPORT:  
MOSCOW CITY**

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## **1. INTRODUCTION**

The survey was conducted 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:

<b>Procedure no. 1</b>	Obtaining (by lease) a land plot, which is currently state or municipal property, for construction on, with a preliminary agreement on the object location.
<b>Procedure no. 2A and 2B</b>	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.
<b>Procedure no. 3A and 3B</b>	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.
<b>Procedure no. 4</b>	Lease of a real estate object (premise, building or construction) which is currently municipal property, without the procedure of tender (including purposive appointment cases).
<b>Procedure no. 5</b>	Lease of a real estate object (premise, building or construction) which is currently the municipal property during tenders or auctions.
<b>Procedure no. 6</b>	Transferring a premise (building) from the residential use to non-residential one.
<b>Procedure no. 7A and 7B</b>	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).
<b>Procedure no. 8</b>	Transferring a land plot from one category into another, changing designated use of a land plot.
<b>Procedure no. 9</b>	Privatization of a real estate object (building or premise) which is currently municipal property.

## 2. EXECUTIVE SUMMARY

1. The most frequently used procedure connected with land plots, both for ARCS<sup>1</sup> and BIS<sup>2</sup> companies, was a procedure of *leasing a land plot for construction with preliminary agreement on the object location*. In the course of the research, no ARCS or BIS company which went through the procedures connected with obtaining ownership rights for land plots (the *Procedures 2A and 3A*) or with change of land plots' end use (*the Procedure no.8*) which is possible only in relation to the plots owned by the companies was found. It is possible to assume that obtaining ownership rights for land plots in Moscow city happens very rarely or does not exist.
2. In the course of the research, no ARCS company which went through *the Procedure no.6 (Transferring a premise (building) from the residential use to non-residential one)* was found. It is possible to assume that this procedure is rather complicated for independent completion. One of the greatest (and most significant, taking into account the number of the respondents) parts of the respondents reported occurrence of unofficial payments in relation to this procedure (90%). At the same time, according to financial and time costs reported by BIS companies, this procedure can be characterized as moderately time- and money-consuming.
3. On average, the longest procedure both for ARCS and BIS companies became the procedure connected with land plots: *Leasing land plots with buildings (structures, installations) owned the company*.
4. The following procedure required the greatest total payments both from ARCS and BIS companies: *Leasing a land plot for construction with preliminary agreement on the object location*.
5. The greatest and, for BIS companies, extremely high values of unofficial payments were reported in relation to the same procedures. *Lease of a real estate object (premise, building or construction) which is currently municipal property, without the procedure of tender (including purposive appointment cases)* was the most expensive for ARCS companies.
6. According to the surveyed BIS companies, financial costs of most procedures increased more than time costs in 2004 as compared with 2003. The greatest increase of time costs was registered concerning the procedure of *Leasing land plots with buildings (structures, installations) owned the company* that was also one of the longest, according to the research results.
7. The respondents reported the greatest increase of official payments in relation to the procedure of *Leasing a real estate object, which is municipal property, during tenders (auctions)*. BIS companies had the extremely high payment value for this procedure.
8. The respondents noted that some growth of official payments was observed in relation to all procedures and evaluation of these changes does not considerably vary depending on a procedure. The respondents reported the least significant changes in relation to the *Procedure no.4 (Leasing a real estate*

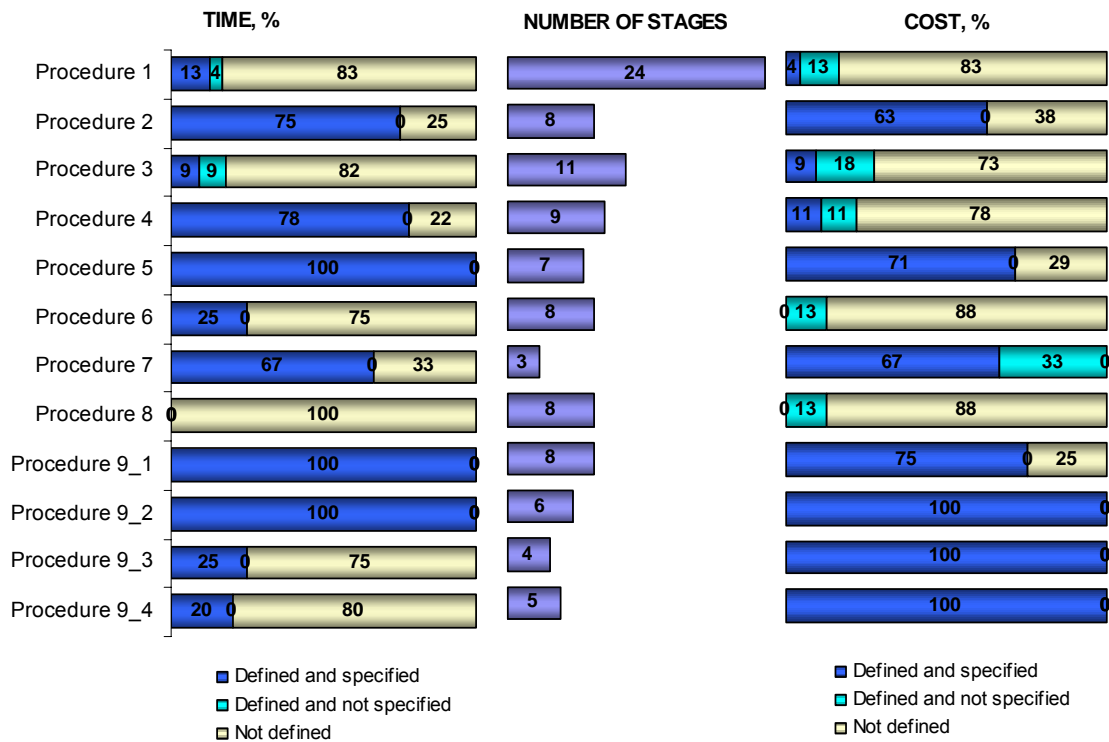
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<sup>1</sup> legal entities and sole proprietors that attempted, underwent or completed locating procedures in 2004

<sup>2</sup> legal entities and sole proprietors providing intermediary services for locating procedures

- object without the procedure of tender (including by purposive appointment)*. It required considerable but not the greatest unofficial payments and also the least time costs for ARCS companies.
9. The surveyed BIS companies reported that the main factor promoting reduction of both time and money costs for all analyzed procedures is Municipal (state) owner of the property is interested in a quick transaction. Administrative resource or special personal relations with officers of administrative bodies, Having former officials employed by your company, Willingness of the client to make unofficial payment, Client knowledge of regulations guiding the procedure are also more or less important
  10. Time and financial expenditures for obtaining the same documents can considerably vary depending on a kind of a procedure. Besides, the respondents use different methods of making official payments: even under the same procedure, a part of the respondents among those who obtained some documents reported occurrence of official payment while others told that there were none. This can be explained by a few factors:
    - presence of special circumstances unknown to the researchers, which, according to the legislation, require official payments or, on the contrary, allow not making them while obtaining certain documents;
    - the use of unofficial payments in the course of obtaining documents can hamper selecting a sum of official payments from the sum paid to an officer of administrative bodies even if they have been made;
    - possibly, other explanations exist
  11. Share of stages that have defined time and financial cost vary between procedures (Chart 2.1). Time and financial costs for obtaining all necessary documents are defined to a bigger extent for procedures no. 9 (1<sup>st</sup> and 2<sup>nd</sup> method), no. 5 and no. 7. *Procedures no. 1, 3, 6, 8* could be named as the least defined. In most cases the better defined time corresponds with the better defined financial cost

**Chart 2.1 Share of stages in each procedure which have legislatively defined time and financial costs<sup>3</sup>.**



<sup>3</sup> “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  
 “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 for BIS and ARCS questionnaires in each region of survey. The achieved sample size in Moscow was 60 ARCS and 103 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).

The reason why the latter was used was unavailability of information about all companies in Goskomstat database and time/cost effectiveness. Once a complete list of potential respondents was compiled, respondents were contacted according to random key<sup>4</sup>.

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	820	19417
Phone calls, number	407	3540
Companies interviewed, number	47	60
Number of meetings as a percentage of phone calls made	11,1	1,2
Questionnaires, number	114	60
Refusal-rate as share of refusal phone calls from total number of phone calls, %	11,5	1,7
Duration of an average interview, minutes	41	52
Duration of the whole fieldwork, working days	90	

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

<sup>4</sup>A 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	8	7
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	0	0
2B. Leasing a land plot , which is currently state or municipal property, for construction during tenders without preliminary agreement on the object location	4	1
3A. Obtaining ownership rights on land plots that are currently state or municipal property with buildings (structures, installations) owned the company	0	0
3B. Leasing land plots that are currently state or municipal property with buildings (structures, installations) owned by the company	13	22
4. Leasing a real estate object without the procedure of tender (including by purposive appointment)	11	14
5. Leasing a real estate object, which is municipal property, during tenders (auctions)	3	4
6. Transferring a premise (building) from the residential use to non-residential one	11	0
7A. State registration of a purchase and sale transaction on real estate acquired in the secondary market	29	11
7B. State registration of a lease agreement concluded in the secondary market for a term exceeding 1 year	19	14
8. Transferring a land plot from one category to another, changing the designated use of a land plot	0	0
9. Privatization of a real estate object (building, structure, premise), which is currently municipal property	5	1

#### 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 24 stages and includes processing 39 documents (see Annex 1, table 1). There is no normative timeframe for completion of this procedure because for 21 stages out of 24 no processing deadlines have been established (see Chart 2.1). There is similar uncertainty about official costs - for 20 out of 24 stages legislation does not stipulate whether an official fee is or is not payable, for 3 stages out of 24 the amount of official payments is either not indicated or can vary depending on the characteristics of the object.
- The respondents reported duration of this procedure to be not less than 40 days for BIS companies and not less than 210 days for ARCS companies. The ARCS respondents reported official payments to be not less than 1 100 rubles. There is no sufficient data for amount of official payments provided by BIS companies.
- This procedure considered being one of the most problematic out of the researched procedures in the Moscow city. The results of the survey demonstrated that unofficial payments happen rather frequently during the completion of this procedure. Thus, all the surveyed companies that had completed the procedure independently reported the use of unofficial payments at almost every procedural stage. According to BIS companies' experience, for more than 75% of all the stages of procedure completion unofficial payments are involved in more than half of all cases of interaction with the official authorities. 67% of both ARCS and BIS companies reported the occurrence of additional burdens. All ARCS companies and most BIS companies reported the occurrence of payments to non-governmental foundations while carrying out the procedure.
- *Procedure no.1* is characterized by a significant number of procedural stages (documents) that may be regarded as problematic for the respondents. From the point of view of the greatest financial and time costs involved the following most problematic procedural stages can be distinguished: *Ordinance by the Moscow Government on preliminary agreement of the object location and permit for design planning, Technical specifications by the authorized agencies and services of the city, Ordinance (resolution) by the Moscow Government on allocation (provision) of a land plot for real property object construction, and Investment contract or agreement on lease of a land plot for construction.*
- The respondents failed to reach unanimity with regard to the government agency that has caused the biggest number of problems while interacting with it. By combining the criteria of "most problems caused during the interaction" and "most time wasted", "obtaining the most problematic document" and "greatest unofficial payments" *Government of Moscow* can be singled out as the most problematic one.

**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 8 stages and includes processing of 18 documents (see Annex 1, table 2). There is, in fact, no normative timeframe for completion of this procedure, because for 2 out of 8 stages of this procedure no processing deadlines have been established (see Chart 2.1). There is similar uncertainty about official costs - for 3 out of 8 stages legislation does not stipulate whether an official fee is or is not payable.
- All the surveyed companies completed the procedure for concluding a lease agreement for a land plot (*Procedure no.2B*) only. The respondents reported duration of this procedure to be not less than 75 days for BIS companies. There is no sufficient data for duration provided by ARCS companies. There is no data for amount of official payments provided by both BIS and ARCS companies
- Interviewed respondents reported occurrence of unofficial payments in all stages of the procedure, except *Ordinance by the Moscow Government on allotment of a land plot to the auction winner (on conclusion of an investment contract or a land plot long-term lease agreement)*. It is in the opinion of BIS respondents that a high frequency of unofficial payments in everyday practice (in 80 % of cases when applying for appropriate documents and more frequently) is typical for all these stages.
- Most respondents found the document *Ordinance by the Moscow Government on allotment of a land plot to the auction winner (on conclusion of an investment contract or a land plot long-term lease agreement)* to be the most problematic document of *Procedure no.2*.
- It is worthy to recognize the *Government of Moscow and MosRegistratsia* as the most problematic government body regarding this procedure. In the first government body the document mentioned above as the most problematic one has been received, and the largest number of typical negative phenomena was mentioned. The last document of the procedure was received in *MosRegistratsia*.

**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 1, table 3). There is no normative timeframe for completion of this procedure because for 10 stages out of 11, no processing deadlines have been established (see Chart 2.1). There is similar uncertainty about official costs - for 8 out of 11 stages legislation does not stipulate whether an official fee is or is not payable, for 2 stages out of 11 the amount of official payments is either not indicated or can vary depending on the characteristics of the object.
- All the surveyed companies completed the procedure for concluding a lease agreement for a land plot (*Procedure no.3B*) only. The respondents reported duration of this procedure to be between 203 days on average for BIS companies and 389 days on average for ARCS companies. The respondents reported official payments to be between 4 527 and 55 000 rubles for BIS companies and 44 000 rubles on average for ARCS companies.
- 64% of surveyed BIS and 33% of surveyed ARCS companies indicated presence of unofficial payments during the completion of this procedure. In case of ARCS companies, all the unofficial payments were associated with the sites located in the city center. The amounts of unofficial payments disclosed by the respondents are roughly similar for BIS and ARCS (extreme cases are excluded).
- The majority of respondents acknowledged as the most difficult stages liaised with land surveying and obtaining *Ordinance by the Moscow Government on allotment of a land plot*.
- The following government agencies were identified as the ones suffering from the greatest number of negative phenomena within the framework of this procedure: *MosKomZem*, *Administrative Board of District (Head of the Board)*, and *Technical Inventory Bureau of Moscow (TIB)*. Negative phenomenon that the respondents encountered most frequently during the completion of this procedure is the necessity to obtain numerous statements (approvals).

#### 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 9 stages and includes processing of 16 documents (see Annex 1, table 4). There is, in fact, no normative timeframe for completion of this procedure, because for 2 out of 9 stages of this procedure no processing deadlines have been established (see Chart 2.1). There is similar uncertainty about official costs – for 7 out of 9 stages legislation does not stipulate whether an official fee is or is not payable, for 1 stage out of 11 the amount of official payments is either not indicated or can vary depending on the characteristics of the object.
- The respondents reported duration of this procedure to be 141 days on average for BIS companies and 81 days on average for ARCS companies. The BIS respondents reported official payments to be 14 543 rubles on average. ARCS respondents reported official payments to be 106 250 rubles. There is an extremely high payment in case of ARCS companies, which was not excluded for cross-regional comparison<sup>5</sup>. If exclude this data, official payments of ARCS companies would be 15 500 rubles on average.
- Unofficial payments may be considered a sufficiently widespread phenomenon for the given procedure: more than 75% of respondents (both BIS and ARCS) reported their occurrence when obtaining particular documents. The highest average total amount of unofficial payments for the whole procedure was registered for this procedure.
- In accordance with the opinion of respondents, as well as the conducted analysis of financial-time expenditure on obtaining each of the documents, obtaining the *Statement by on allotment of a real property object*, *Lease Contract*, and also the *Certificate of State Registration* can be singled out as the most problematic stages of the given procedure.
- The *Department for Land Resources of Moscow/Department for Property of Moscow (territorial agency)*, *MosRegistratsia*, as well as the *City Center for the State Sanitary and Epidemiological Supervision (SES)* were singled out by respondents as the most problematic government authorities for the given procedures. The first two government authorities are also connected with obtaining the most problematic documents.

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<sup>5</sup> Only data which 10 times exceeded the nearest amount in the national sample had been excluded from analysis.

#### **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 7 stages and includes processing of 19 documents (see Annex 1, table 5). The normative timeframe for completion of this procedure should not exceed 72 days. There is uncertainty about official costs – for 2 out of 9 stages legislation does not stipulate whether an official fee is or is not payable (see Chart 2.1).
- The respondents reported duration of this procedure to be not less than 60 days for both BIS and ARCS companies. The respondents reported official payments to be not less than 7 000 rubles for BIS companies and between 7 500 and 10 000 rubles for ARCS companies.
- Most of the surveyed ARCS companies reported the use of unofficial payments during completion of this procedure. There is no sufficient data about unofficial payments provided by BIS companies. According to the BIS respondents, in customary practice all the main procedural stages require unofficial payments in more than 50% of all cases.
- As the most problematic stages, there can be distinguished *Certificate of State Registration* (most ARCS respondents referred to it). There were no problematic stages for most of BIS companies.
- It appears difficult to single out the most problematic government agency involved in this procedure. Different respondents reported problems while interacting with different government agencies involved in this procedure.

#### 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 8 stages and includes processing of 11 documents (see Annex 1, table 6). There is, in fact, no normative timeframe for completion of this procedure, because for 6 out of 8 stages of this procedure no processing deadlines have been established (see Chart 2.1). There is similar uncertainty about official costs - for 6 out of 8 stages legislation does not stipulate whether an official fee is or is not payable, for 2 out of 8 stages, the amount of official payments is either not indicated or can vary depending on the characteristics of the object.
- Only BIS companies completed *Procedure no. 6* were interviewed. The BIS respondents reported duration of this procedure to be 95 days on average. The BIS respondents reported official payments to be between 9 000 and 40 000 rubles.
- 90% of surveyed BIS companies reported the presence of unofficial payments during the completion of this procedure. The majority of respondents (73%) reported the presence of unofficial payments while obtaining *Documents from the Technical Inventory Bureau (technical passport, floor plan, technical estimation, various certificates etc.)*. The greatest average unofficial payment was associated with *Premises rearrangement project approved by the Chief Architect of the city*. The latter document was also singled out by the respondents as one of the documents whose obtaining in customary practice entails one of the greatest frequencies of unofficial payments (in 96% of cases of obtaining this document on average).
- Respondents reported *Statement by the Interdepartmental commission of a municipal district (territorial office) on use of the residential use and Interdepartmental commission of the administrative district on use of the residential use (Extract from the Protocol)* and *Premises rearrangement project approved by the Chief Architect of the city* to be the most problematic documents pertaining to this procedure. Obtaining of the said documents can also be characterized by significant time and financial expenditures being official the same as non-official.
- Approximately one-half of the respondents consider that there was not a single government agency under this procedure, which caused especial problems while interacting with it. By combining such criteria as time wasting and the most problems during interaction, *Technical Inventory Bureau of Moscow (TIB)* and *Interdepartmental Commission of an Administrative District on the usage of the residential facilities* can be distinguished.

**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 7 documents (see Annex 1, table 7). There is, in fact, no normative timeframe for completion of this procedure, because for 1 out of 3 stages of this procedure no processing deadlines have been established (see Chart 2.1). The official costs for completing the procedure are not clearly stipulated - for 1 out of 3 stages, the amount of official payments depends on the characteristics of the object, for 1 stage no official fee is to be paid. For the third stage, the official costs must not exceed 7500 rubles for legal entities and 480 rubles for individual persons.
- Respondents reported duration to be 63 days on average for BIS companies and 92 days on average for ARCS companies. Respondents reported official payments to be 12 835 rubles on average for BIS companies and 11 607 rubles for ARCS companies.
- 52% of surveyed BIS and 40% of surveyed ARCS reported the presence of unofficial payments during this procedure. Both among ARCS and BIS respondents, high amounts of unofficial payments were on average reported by those companies, which completed *Procedure no.7A*. When obtaining a *Land Plot Cadastral Plan* in the course of *Procedures 7A and 7B*, the dependency was identified, that the greater the amount of the unofficial payments, the lower are the time costs for obtaining this document. It appears possible to assume that intermediary companies use unofficial payments to decrease time costs associated with the procedures in case.
- Taking into account the opinion of respondents, as well as the results of analysis of time and financial costs, the most problematic document of *Procedure no.7* may be considered *Certificate of State Registration*. Note that this document became more problematic for those respondents who completed *Procedure no.7A*. BIS respondents reported the greatest amount of unofficial payments on average with respect to this document, while 60% of ARCS companies that completed *Procedure no.7A* called this document the most problematic.
- Government agencies causing the most problems while interacting with them within the framework of completion of *Procedure no 7* may be considered *MosRegistratsia* and *Technical Inventory Bureau of Moscow (TIB)*. Particularly, the above-mentioned government agencies occupied negative leading positions due to being mentioned as the most problematic official bodies and the foremost time-wasters.

**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 1, table 8). There is, in fact, no normative timeframe for completion of this procedure, because for all stages of this procedure no processing deadlines have been established (see Chart 2.1). There is similar uncertainty about official costs - for 7 stages out of 8, legislation does not stipulate whether an official fee is or is not payable, for 1 stage the amount of official payments is either not indicated or can vary depending on the characteristics of the object.
- In the course of the survey, no ARCS or BIS companies were found, which would have completed the procedure *Transferring a land plot from one category to another, changing the designated use of a land plot* in 2004. This fact correlates with the finding, that during the survey, no ARCS have been found to own a land plot, and also non ARCS or BIS companies, which would complete the procedure of obtaining ownership rights on a land plot (*Procedures 2A and 3A*). According to the legislative regulations, performance of *Procedure no.8* is possible only in relation to the land plots, which are owned by the companies. According to the obtained survey results, we may suppose, that obtaining ownership rights on land plots in the city of Moscow is a very rare or nonexistent event.

#### 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 8 stages and includes processing of 4 to 14 documents depending on the method of completing the procedure (see Annex 1, table 9). The normative timeframe for completing the procedure also depend on the method (see Chart 2.1). For methods no. 1 and no.2 - not more than 68 days. There is no normative timeframe for completion of this procedure for method no. 3 and no.4. Processing deadlines have been established only for one stage in each method. The official costs of completing the procedure also depend on the method. In order to pass this procedure the amount of official fees for methods no. 2, no.3 and no.4 comprise from 750 up to 7,500 rubles for legal entities, and 480 rubles – for individual persons. For method no.1 for 2 out of 8 stages legislation does not stipulate whether an official fee is or is not payable.
- According to the results obtained during the course of the research, the majority of BIS respondents made unofficial payments at some stage of carrying out the procedures. There is no sufficient data provided by ARCS respondents
- Determining the most problematic stage was complicated by the insignificant number of respondents, as well as several methods of carrying out the procedure. Nevertheless, in the capacity of most problematic stage it is possible to single out *Certificate of State Registration*, which was named the most problematic by most of the respondents.
- In the capacity of most problematic government authority from the point of view of carrying out the given procedure, one can single out *MosRegistratsia*. On the part of the given government authority, BIS respondents noted a tendency to waste time and a series of other negative aspects, connected with organizational work. A document received at *MosRegistratsia* was acknowledged as the most problematic for the given 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 Moscow, average, days	
	BIS	ARCS	BIS	ARCS
1. Leasing a land plot for construction with preliminary agreement on the object location	296	272	No less than 40	No less than 210
2A. Obtaining ownership rights on a land plot during tenders for construction without preliminary agreement on the object location	280	150	n/a	n/a
2B. Leasing a land plot for construction during tenders without preliminary agreement on the object location	239	178	No less than 75	Insufficient data
3A. Obtaining ownership rights on land plots that are currently municipal property with buildings (structures, installations) owned the company	226	233	n/a	n/a
3B. Leasing land plots with buildings (structures, installations) owned by the company	209	189	203	389
4. Leasing a real estate object without the procedure of tender (including by purposive appointment)	117	77	141	81
5. Leasing a real estate object, which is municipal property, during tenders (auctions)	77	107	No less than 60	No less than 60
6. Transferring a premise (building) from the residential use to non-residential one	206	244	95	n/a
7A. State registration of a purchase and sale transaction on real estate acquired in the secondary market	86	88	67	90
7B. State registration of a lease agreement concluded in the secondary market for a term exceeding 1 year	74	101	64	94
8. Transferring a land plot from one category to another, changing the designated use of a land plot	215	From 90 to 540	n/a	n/a
9. Privatization of a real estate object (building, structure, premise), which is currently municipal property	110	137	От 60 до 200	Insufficient data

- As can be seen in Table 5.1 there are only few procedures that are close to the national average. These are *Procedures no.3B* and *7B* for the BIS respondents and *Procedures no. 4, 7A and 7B* for the ARCS respondents. It is *Procedure no. 3B* for ARCS companies and *Procedure no. 4* for BIS companies which seem to last much longer in Moscow than the national average. Comparison of other procedures with national average is impossible because of insufficient number of respondents in this region.

**Table 5.2. Cost comparison over all procedures**

	Total cost 15 region average, rubles		Total cost Moscow, average, rubles	
	BIS	ARCS	BIS	ARCS
1. Leasing a land plot for construction with preliminary agreement on the object location	287 213	263 045	Insufficient data	No less than 120 000
2A. Obtaining ownership rights on a land plot during tenders for construction without preliminary agreement on the object location	251 639	75 173	n/a	n/a
2B. Leasing a land plot for construction during tenders without preliminary agreement on the object location	253 143	51 850	No less than 45 000	n/a
3A. Obtaining ownership rights on land plots that are currently municipal property with buildings (structures, installations) owned the company	72 241	38 484	n/a	n/a
3B. Leasing land plots with buildings (structures, installations) owned by the company	72 327	70 130	77 950	99 875
4. Leasing a real estate object without the procedure of tender (including by purposive appointment)	48 566	22 720	143 333	141 333
5. Leasing a real estate object, which is municipal property, during tenders (auctions)	80 338	34 067	Insufficient data	No less than 10 000
6. Transferring a premise (building) from the residential use to non-residential one	103 746	51 319	438 083	n/a
7A. State registration of a purchase and sale transaction on real estate acquired in the secondary market	54 950	18 398	142 247	45 438
7B. State registration of a lease agreement concluded in the secondary market for a term exceeding 1 year	25 405	27 257	56 563	11 583
8. Transferring a land plot from one category to another, changing the designated use of a land plot	168 875	No less than 4 000	n/a	n/a
9. Privatization of a real estate object (building, structure, premise), which is currently municipal property	55 951	31 250	Insufficient data	n/a

- As can be seen in Table 5.2 there are only one procedure that are close to the national average. This is *Procedure no.3B* for BIS respondents. Cost for the most procedures which have sufficient for comparison number of respondents are higher than the national average. *Procedures no. 4* and *7A* are more expensive in Moscow than the national average for both ARCS and BIS respondents. *Procedures no. 6* and *7B* are more expensive than the national average for BIS respondents. This could be explained by the fact that Moscow is generally characterized by the higher level of prices for services as compared to other regions. Procedure no. 7B is the only procedure which cost is found to

be lower than the national average for ARCS companies. Perhaps this is due to the fact that most objects of the companies, which completed Procedure no. 7B, were located outskirts or outside the city.

- Looking at both time and cost, one can see that *Procedure no.4* costs much more and lasts much longer for the BIS respondents than 15 region average. It is difficult to single out a procedure, which costs much more and at the same time lasts much longer for the ARCS companies than 15 region average.

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

- Taking into consideration all procedures under survey, reported practice of unofficial payments is considerably high. On average unofficial payments were reported by 70% of BIS and 61% of ARCS respondents for at least one stage while going through procedures under investigation. The amount range of unofficial payments for the whole procedure is extremely wide (from 1 000 rubles to 420 000 rubles). The highest reported amounts of unofficial payments were associated with the *Procedure no. 1*. Most of the reported unofficial payments are in amounts up to 30 000 rubles (71% of reported amounts). And about 14% are unofficial payments exceeding the amount of 100 000 rubles.
- Beside unofficial payments, another semi-official practice was reported by respondents of Moscow. On average among all procedures 22% of BIS and 43% of ARCS of respondents reported being enforced to make a donation to certain non-government fund. This practice is somewhat more frequent for BIS companies in the case of *Procedure no. 3B* and for ARCS companies in the case of *Procedure no. 7A*.
- The third reported semi official or unofficial financial burden is so called "additional burdens". On average among all procedures 15% of BIS and 31% of ARCS of respondents on average reported being enforced to take these additional burdens. It is difficult to single out one procedure which is characterized by more frequent practice of such payments in comparison with other procedures.

## **5.3. Characteristics most important in saving time**

- As Table 5.3 suggests the most important factors that might save some time while going through procedures under survey are "*Administrative resource or special personal relations with officers of administrative bodies*", "*Municipal owner is interested in a quick transaction*" and "*Having former officials employed by your company*". This and other time-saving characteristics are mainly associated with non-official relations, and interest of the officials to process the procedure.
- Money saving characteristics are mostly the same as the one that might reduce the time necessary to process the procedure (Table 5.4).

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

	Total	Procedures								
		1	2	3	4	5	6	7	8	9
Administrative resource or special personal relations	23	38	25	19	18	0	27	24	0	20
Municipal owner is interested in a quick transaction	23	25	25	19	36	33	18	17	0	60
Willingness of the client to make unofficial payment	19	0	25	13	36	0	18	24	0	0
Client knowledge of regulations guiding the procedure	14	0	0	31	0	33	9	15	10	0
Having former officials employed by your company	12	38	25	6	0	33	18	9	0	20
Personal relations with private companies	2	0	0	6	9	0	0	0	0	0
Rich companies	1	0	0	0	0	0	0	2	0	0
Large size of the project	1	0	0	0	0	0	0	2	0	0
Difficult to answer	5	0	0	6	0	0	9	7	0	0

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

	Total	Procedures								
		1	2	3	4	5	6	7	8	9
Municipal owner is interested in a quick transaction	29	25	25	33	45	0	9	28	100	40
Administrative resource or special personal relations	16	25	0	0	18	0	18	24	0	0
Having former officials employed by your company	13	13	50	20	0	33	18	11	0	0
Client knowledge of regulations guiding the procedure	13	0	25	33	0	0	0	11	0	40
Willingness of the client to make unofficial payment	6	13	0	0	0	0	18	7	0	0
Large size of the project	2	0	0	0	0	0	9	2	0	0
Personal relations with private companies	3	0	0	0	9	33	0	2	0	0
Difficult to answer	17	25	0	13	27	33	27	13	0	20