

# Doing Business

## Registering property

“The process is slow for everyone, but especially for women. I wanted to sell our store last year, but since my husband was abroad, I had to wait 2 months for him to return and sign. When he signed the papers for me, the deal went through—after 3 more months of bureaucracy,” says Catherine in Lesotho. This just changed. A law passed in November 2006 allows married women in Lesotho to transfer property without their husband’s signature.

Making it easier to transfer property is good for entrepreneurs. Land and buildings account for between half and three-quarters of the wealth in most economies.<sup>1</sup> And with formal property titles, entrepreneurs can obtain mortgages on their land or homes and start businesses. Banks prefer land and buildings as collateral because they are impossible to move or hide. In Zambia 95% of commercial bank loans to businesses are secured by land, in Indonesia 80%, and in Uganda 75%.<sup>2</sup>

But a large share of the property in developing countries is not formally registered. In 2000 Peruvian economist Hernando de Soto estimated the value at \$9.3 trillion, calling it “dead capital.”<sup>3</sup> Unregistered property limits financing opportunities for new businesses and expansion opportunities for existing ones. In Ethiopia 57% of firms cite access to land as their main obstacle, as do 35% in Bangladesh and 25% in Kenya and Tanzania.<sup>4</sup> Recognizing these bottlenecks, some governments have started extensive property titling programs. Others have focused on making property transfers cheaper and faster.

The 10 countries that make property registration easiest are the same as in last year’s report—with New Zealand again at the top (table 5.1). But some at the bottom of the rankings have changed. Uzbekistan moved up 53 places after it cut fees. Guinea-Bissau moved out of the bottom 10 by reducing the property transfer tax by 8 percentage points.

Countries that make property registration simple, fast and cheap have more properties registered formally. That leads to greater access to finance and greater opportunities to invest.<sup>5</sup> Country experience shows the benefits of formalizing title and keeping it that way. Thailand’s land reform program has issued more than 8.5 million property titles and created one of the most efficient registration systems in the world. For people who received formal titles, land values and investment almost doubled, and access to credit increased threefold.<sup>6</sup>

TABLE 5.1

### Where is registering property easy—and where not?

Easiest	Rank	Most difficult	Rank
New Zealand	1	Afghanistan	169
Armenia	2	Burkina Faso	170
Saudi Arabia	3	Bangladesh	171
Lithuania	4	Sierra Leone	172
Slovakia	5	Nigeria	173
Norway	6	Brunei	174
Sweden	7	Maldives	175
Iceland	8	Marshall Islands	176
United Arab Emirates	9	Micronesia	177
United States	10	Timor-Leste	178

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

Source: Doing Business database.

Peru’s experience is just as striking. Since the late 1990s the time required to formalize property has fallen from 6 years to 33 days. More than 1.3 million titles have been issued, and two-thirds of those issued to individuals have gone to women. The benefits of secure title for

women are especially great. Studies in India, Honduras and Nicaragua show that poor women’s access to property is associated with more investment in the household, especially in children’s health and education.<sup>7</sup>

### Who is reforming?

Twenty-seven countries made property registration easier in 2006/07. Most made the process faster through administrative reform. A few simplified it. Some of the biggest gains were in lowering registration costs. On average the top 10 reformers cut the time and cost by a third (figure 5.1).

Ghana made the most progress. A ministerial directive cut the requirement to register deeds of sale with the land commission. Before, entrepreneurs would have to wait 135 days for the commission to issue a registration number. And then they would have to register yet again with the land title registry. With the stroke of a pen the bottleneck is now gone, and the delays with it (figure 5.2).

For the second year running, Africa had the most reforms. Kenya liberalized the profession of land valuers. With more people able to practice, the wait for valuations fell from 34 days to 7. Mali cut delays with quicker services for property registration at the tax authority. But the biggest trend was to slash costs (table 5.2). Burundi abolished its 7% property registration tax. Benin cut registration taxes from 12% of the property value to 8%, Burkina Faso from 15% to 10%, Guinea-Bissau from 10% to 2%, Mauritius and Niger from 10% to 5%.

More is needed. Africa accounts for 9 of the 10 most expensive countries in which to register property. And

even with the reforms, costs remain steep. With all costs added in, registration in Burkina Faso still costs 12.2% of the property value. In Burundi the cost is 11.5%—and in Niger, 9%.

Eastern Europe and Central Asia saw 5 reforms. Uzbekistan reduced the notarization fee from 10% of the property value to a fee based on surface area. The cost to register property fell from 10.5% of the property value to 1.4%. Poland converted registration fees from a percentage to a fixed fee, lowering the cost to only 0.5%. In Hungary a second registry operating in Budapest reduced the backlog and cut the time from 78 days to 63. Croatia’s computerization of the land registry cut the time from 399 days to 174. Georgia cut the requirement to use notaries in property registration.

In Latin America and the Caribbean reforms targeted delays. The Dominican Republic made the region’s biggest reform—passing 6 laws in the past year alone to restructure the registration process—and cut the time from 107 days to 60. Guatemala now allows registrars to sign documents electronically, speeding the process at the registry by a week. Honduras cut delays by imposing time limits and publishing more information online. And Haiti’s tax administration hired 60 university interns to reduce the backlog of registrations. The time dropped from 683 days to 405—still a long wait.

FIGURE 5.1  
Top 10 reformers in registering property

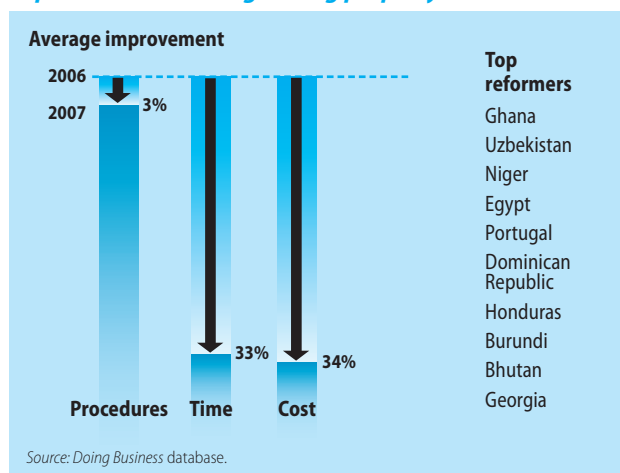


FIGURE 5.2  
Making it easier to register property in Ghana

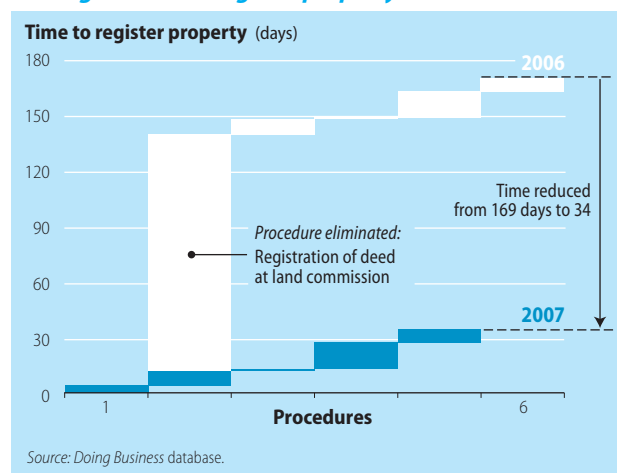


TABLE 5.2  
**Lower cost to register—a popular reform in 2006/07**

**Reduced taxes or fees**

Benin, Burkina Faso, Burundi, Egypt, Guinea-Bissau, Mauritius, Mexico, Niger, Poland, Uzbekistan

**Sped procedures in the registry**

Croatia, Djibouti, Dominican Republic, Haiti, Honduras, Hungary, Lesotho, Mali, Niger, Tunisia

**Computerized procedures, put procedures online**

France, Guatemala, Portugal

**Combined and reduced procedures**

Afghanistan, Georgia, Ghana

**Sped procedures in the court**

Bhutan

**Allowed private valuers to complete valuations**

Kenya

Source: Doing Business database.

Egypt was the top reformer in the Middle East and North Africa. Fees were cut from 3% of the property value to a low fixed fee of 2,000 Egyptian pounds (\$350). The total cost to register dropped from 5.9% to 1%. Djibouti reorganized procedures in the registry to cut the time from 49 days to 40. Tunisia digitized property records, allowing notaries to check files more efficiently.

In South Asia, Afghanistan eased registration by eliminating 2 government approvals and simplifying forms. In Bhutan, where registration takes place in the courts, 2 new judges were assigned to deal with cases more promptly. One month was cut from the process.

Rich countries continue to use new technologies to speed property registration. Portugal digitized its registry records, cutting the time from 81 days to 42. France now allows notaries to work online, checking encumbrances, sending property contracts to the registry and receiving confirmation numbers—all electronically.

The countries of East Asia and Pacific distinguished themselves by making no improvements—for the second year running. It was not for lack of need. The region ranks fourth on the ease of registering property, after the OECD high-income countries, Eastern Europe and Central Asia, and the Middle East and North Africa. Several Pacific countries have no functioning property registration. And the only country in the region that reformed in 2006/07 slipped backward. Vanuatu increased the cost of registration from 7% of the property value to 11%.

Another 5 countries made registering property more difficult. The cost to register in the Kyrgyz Re-

TABLE 5.3  
**Who regulates property registration the least—and who the most?**

**Procedures (number)**

Fewest		Most	
Norway	1	Swaziland	11
Sweden	1	Eritrea	12
Netherlands	2	Greece	12
New Zealand	2	Uzbekistan	12
Oman	2	Ethiopia	13
Thailand	2	Liberia	13
United Kingdom	2	Uganda	13
Vanuatu	2	Algeria	14
Armenia	3	Brazil	14
Lithuania	3	Nigeria	14

**Time (days)**

Least		Most	
New Zealand	2	Togo	295
Sweden	2	Solomon Islands	297
Thailand	2	Bosnia and Herzegovina	331
Lithuania	3	Angola	334
Norway	3	Gambia	371
Armenia	4	Rwanda	371
Iceland	4	Slovenia	391
Kyrgyz Republic	4	Haiti	405
Saudi Arabia	4	Bangladesh	425
Netherlands	5	Kiribati	513

**Cost (% of property value)**

Least		Most	
Saudi Arabia	0.0	Côte d'Ivoire	16.9
Bhutan	0.0	Cameroon	17.8
Belarus	0.1	Senegal	19.5
Kiribati	0.1	Comoros	20.8
Slovakia	0.1	Chad	21.2
New Zealand	0.1	Mali	21.2
Georgia	0.1	Nigeria	22.2
Azerbaijan	0.2	Zimbabwe	25.0
Russia	0.3	Congo, Rep.	27.3
Switzerland	0.4	Syria	28.1

Source: Doing Business database.

public more than doubled after notary fees rose. With less than half of rural properties registered, the change will increase informality. Morocco now requires entrepreneurs to visit 3 tax agencies to obtain tax clearance. Germany, Paraguay and Zimbabwe increased registration fees. Registering property in Zimbabwe costs 25% of the property's value (table 5.3).

## What to reform?

Since 2004 *Doing Business* has recorded 87 reforms in 64 countries that made it easier to register property. Some countries reformed in successive years—Australia, Croatia, the Dominican Republic, Ecuador, Egypt, El Salvador, Georgia, Ghana, Honduras, Mali, Poland and Tanzania. The 5 most effective reforms:

- Simplify and lower fees.
- Introduce fast-track procedures.
- Make the registry electronic.
- Take registration out of the courts.
- Make the use of notaries optional.

### Simplify and lower fees

Lowering fees is the simplest way to ease property registration. A more significant reform is to introduce a fixed fee. Seventeen countries have fixed fees, including Armenia, Estonia, Italy and New Zealand as well as reformers such as Egypt, Poland and Uzbekistan. Charging fees on a percentage basis encourages fraudulent declarations of property values. To counter evasion, many governments increase regulation, making the process more complex with physical inspections or record checking at the cadastre. Delays and bribes increase. A fixed fee avoids all this.

Less radical reformers can simply lower percentage fees. Forty-four countries have done so since 2004. This doesn't mean reducing revenues. When India cut its stamp duties from 10% of the property value to 5%, revenue jumped by 20%. In Burkina Faso registrations rose by 27% in the 5 months after this year's reduction in the

transfer tax. In Egypt revenue from title registrations increased by 40% between the 6 months before the reform and the 6 months after (figure 5.3). More affordability usually means more registrations and less evasion. Property registries then have better information on property values and who owns what. And that supports the collection of capital gains and property taxes.

### Introduce fast-track procedures

To register property in Lithuania, entrepreneurs must obtain a certificate of execution and a land and building reappraisal. This takes 9 days. Then they apply for transfer of title at the registry, which takes another 20 days. But if they don't want to wait, they can pay a higher official fee and cut delays from 29 days to 3. "I need the title now for collateral to expand my business. If I wait, I lose customers," says one property owner.

Fast-track procedures help prioritize the work of the registry and allow entrepreneurs to focus on their business. Such procedures can save 2 months in Ukraine, 21 days in Argentina, 20 in Russia, 15 in Kazakhstan and Slovakia and 10 in Mongolia.

Another 56 countries try to expedite registration by setting time limits at the registry. This works best when registrars are evaluated on whether they meet the targets. One example is Botswana. The days to register property in Gaborone fell by 25% in 2005 after time limits were imposed and compliance monitored in annual staff performance evaluations. Spain went one step further: if the registrars miss their 15-day deadline, they must cut their fees by 30%.

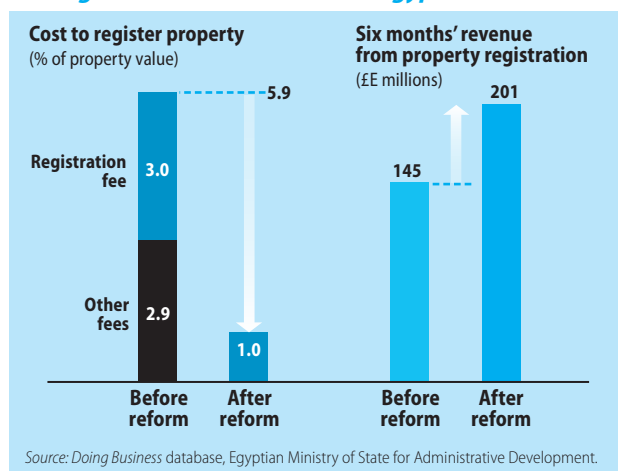
### Make the registry electronic

"It is almost impossible to find records of past land transactions. All records are paper, and the filing system broke down long ago. If there is a fire, we have no records at all," says a public official in Rwanda. It takes 371 days to register property in Kigali.

Countries that transfer records from paper to electronic form always benefit from shorter processing times. Going electronic also makes it easier to identify errors and overlapping titles, improving title security. Croatia digitized land records as part of its far-reaching land reform—and reduced the time for registration by more than 70%. Guatemala has seen the time to register fall from 69 days to 30 since completing its electronic system in 2005. El Salvador, Georgia, Honduras, Poland, Portugal and Tunisia have recorded similar gains.

FIGURE 5.3

#### Cutting fees increased revenue in Egypt



The next step is to put procedures online. This works when people using the registration services (notaries, lawyers, the public) have Internet access. The Netherlands and New Zealand are leaders in online property registration and, with Internet penetration above 70%, use is brisk.

Other countries can benefit from putting individual procedures rather than the entire system online. Costa Rica allows transfer taxes to be paid online. Brazil has made judicial certificates available over the Internet. Bosnia and Herzegovina recently allowed property records to be checked online. Latvia has done so since 2004.

### Take registration out of the courts

In 2004 the Dominican Republic took some property registration procedures out of the courts and made them administrative. The time to register property fell by 44%. El Salvador took registration out of the courts in 1999, cutting several months from the time. Honduras and Serbia are following suit.

In countries where courts are involved in registering property, the process takes 70% longer on average. And judges who deal with property registration have less time for their main work—resolving disputes. Taking registration out of the courts means that it can be more easily linked with the agency responsible for the cadastre, as Norway has done. That makes it easier to detect overlapping and duplicate titles, improving the security of property rights.

### Make the use of notaries optional

In Senegal entrepreneurs pay a notary fee of 4.5% of the property value to authenticate a sale deed. Then they pay another 15% when the registry reviews and authenticates it again. In Honduras the notary charges 4% to verify the contract, and the registry costs another 1.6%. Burundi, Costa Rica, Mali and more than 40 other countries require this double verification.

Here are 2 ways to reduce cost and delay. First, provide standard deeds and registration documents. These reduce delays by ensuring fewer mistakes and eliminating the need to scrutinize documents before registration. Registration is just 2 steps in Thailand—pick up standard documents from the Ministry of Commerce, then proceed to the land office to register the transfer. The registration is done in 2 days. Second, in countries where laws require deeds to be notarized, such as Rwanda, reformers can give notary powers to the registrars. When Portugal did this, notary fees fell by between 28% and 60% in less than a year.

Notaries have useful purposes. But their functions in property registration are irrelevant in countries where registry officials perform the same tasks. And in countries where notaries are responsible for registration, costs are 33% higher than average. Three of 4 countries manage property registration without mandating the use of notaries. Property rights are no less secure, and efficiency is greater. Some property owners still use notaries, but they do so by choice.

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## Notes

1. Fleisig, Safavian and de la Peña (2006).
2. Data are from World Bank Enterprise Surveys conducted in 2006/07 (<http://www.enterprisesurveys.org>).
3. De Soto (2000).
4. Data are from World Bank Enterprise Surveys conducted in 2006/07 (<http://www.enterprisesurveys.org>).
5. Field (2006).
6. Feder (2002).
7. Beegle and Strauss (1996) and Katz and Chamorro (2003).