

International Property Markets Scorecard

Burundi Market Conditions – Desktop Survey October 2010



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Scorecard Background & Information


The Scorecard reflects the status of the six Core Elements necessary for transparent and efficient property market development. Each Core Element includes three Lead Indicators that are further divided into Sub-Indicators. Colors signify the strength of institutions that support market development – very strong, strong and weak. No color indicates that institutions are very weak. Gray indicates more information is needed for an objective determination.

Acknowledgement

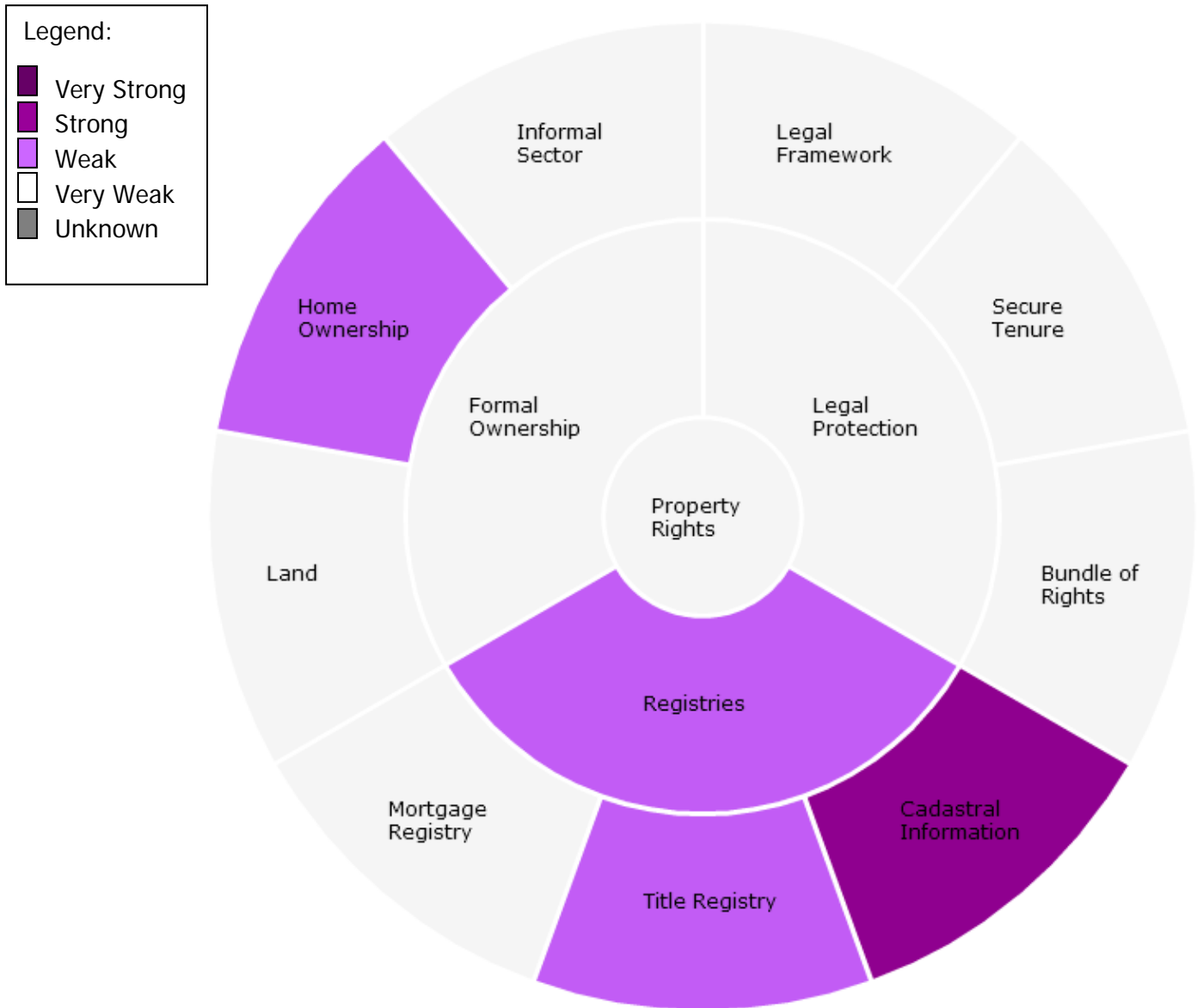
The International Property Markets Scorecard Project is the latest development in the continued cooperative work between the Center for International Private Enterprise (CIPE) and the International Real Property Foundation (IRPF). The work began in September 2002 and includes the booklet *Real Property Markets: The 'Real' Solution for Economic Development* jointly published by the Appraisal Institute, CIPE and IRPF. The Scorecard derives from the work of an academic panel led by Richard Green, PhD., Director of the University of California's Lusk Center for Real Estate and the University of Denver, Burns School of Real Estate and Construction Management's Global Real Estate Project under the direction of Dr. Mark Lee Levine.

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1. Property Rights



Goal – Property rights that are legally protected, secure, recorded in a single, accurate, widely accessible electronic registry and that lead to high levels of formal ownership for all citizens

1.1 Legal Protection

Core Question: Does an effective and sufficient legal framework exist to protect property rights for all citizens? **No – Very Weak, private property is subject to government expropriation and armed banditry. A large number of refugees and internally displaced persons are blocked from resettlement by weak land tenure and property rights systems and by the lack of ownership records.**

Legal Framework

1.1.1 Are property rights clearly defined and protected by law? **No – Very Weak – Ranking 123rd out of 133; Score 2.9 out of 7**

Security of Tenure

1.1.2 Can citizens challenge the legality of government takings? **No – Very Weak – 126th out of 133; Score 2.5 out of 7**

Source: *Global Competitiveness Report 2009* – World Economic Forum
www.weforum.org/documents/gcr09/index.html

Bundle of Rights

Survey Question

SQ1 What is the bundle of rights (group of rights such as occupancy, use and the right to sell or lease) associated with both residential and commercial property ownership? **Very Weak – the 1986 Land Code has three statutes for land resources: ownership registered under written law (generally situated in urban areas), state owned land, and ownership through customary laws.**

Source: Internal Displacement Monitoring Center [www.internal-displacement.org/idmc/website/countries.nsf/\(httpEnvelopes\)/70ADDB7DA1026C91802570B8005A7509?OpenDocument](http://www.internal-displacement.org/idmc/website/countries.nsf/(httpEnvelopes)/70ADDB7DA1026C91802570B8005A7509?OpenDocument)

1.2 Registries

Core Question: Does a reliable property registry exist including cadastral, title and mortgage lien information? **No – Weak, oral traditions about ownership predominate.**

1.2.1 Cadastral Information

Status – Strong, geographic information layers are available to the public in the Multipurpose Africover Databases on Environmental Resources

Survey Questions

- SQ 2 Is cadastral information (information about the dimensions and location of land parcels) accessible to the public? **Yes**
- SQ 3 Is zoning/permitted use information included are use regulations respected and enforced? **No**
- SQ 4 Are Geographic Information Systems (GIS) including Global Positioning Satellite (GPS) information used to create and update the registry? **Yes**
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Source: Food and Agricultural Organization of the United Nations - Africover
www.africover.org/system/area.php?place=4

Civil Society Resource: Institut Geographique du Burundi (IGEBU)

1.2.2 Title Registry

Weak – Ranking – 118th out of 183 Trend ↑

- 1.2.2.1 What is the number of procedures required to register the transfer of a property from one owner to another? **5**
- 1.2.2.2 What is the duration of time in calendar days that it would take to complete the transfer? **94**
- 1.2.2.3 What is the total cost of the transfer including all fees, taxes, etc. expressed as a percentage of the value of the property? **6.3%**

See **Appendix** for complete procedure for registering property

Source – *Doing Business* – Registering Property, World Bank
www.doingbusiness.org/ExploreEconomies/?economyid=32

1.2.3 Mortgage Registry

Status – Very Weak – the financial sector provides a very limited range of services

Survey Questions

- SQ 5 The mandatory use of notaries or similar officials slows down and adds cost to the process. Does a notary need to be involved in the registration process? **Yes**
- SQ 6 Is information in the registry available electronically? **No**

SQ 7 Title insurance is indemnity insurance against financial loss from defects in title and from the invalidity or unenforceability of mortgage liens. Is title insurance available to lenders? **No**

Source – *Financing Homes 2008*, World Bank and International Housing Finance Corporation
[www.ifc.org/ifcext/sme.nsf/AttachmentsByTitle/financinghomes/\\$FILE/FinancingHomes.pdf](http://www.ifc.org/ifcext/sme.nsf/AttachmentsByTitle/financinghomes/$FILE/FinancingHomes.pdf)

1.3 Formal Ownership

Core Question:	Do citizens understand and trust property rights institutions and avoid the informal sector? No – Very Weak – dual systems often result in competing claims.
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Survey Questions

1.3.1 Land

SQ 8 What is the status of land ownership? **Very Weak – Less than 5% of land is registered, provisions of Land Code are little understood and hardly implemented**

Source: Internal Displacement Monitoring Center [www.internal-displacement.org/idmc/website/countries.nsf/\(httpEnvelopes\)/70ADDB7DA1026C91802570B8005A7509?OpenDocument](http://www.internal-displacement.org/idmc/website/countries.nsf/(httpEnvelopes)/70ADDB7DA1026C91802570B8005A7509?OpenDocument)

1.3.2 Home Ownership

SQ 9 What is the percentage of formal home ownership? **Weak – 64.3% of the population lives in slums (2005)**

Source: UN Habitat Urban Indicators www.unhabitat.org/stats/Default.aspx

1.3.3 Informal Sector

What is the percentage of services firms that report competing with unregistered or informal firms? **60.3% - Very Weak Formal Sector (2006)**

Source: Enterprise Surveys
www.enterprisesurveys.org/ExploreEconomies/?economyid=32&year=2006

In-Country Assessment Information

Field Question (FO) 1. What is the actual status of property rights and ownership for citizens?

There have been many different legislative attempts to register land resources from the colonial period onwards. However, in Burundi, as in many other African countries with oral traditions, some practices are followed by the people without being strictly set out in the law. The Land Code of 1986 is not in general use and the people are unaware its contents. It is easy to see that its clauses could be a source of conflict.

The state's private domain consists, according to Article 231 of the Land Code, of vacant land without an owner, land in the public domain that is disused or discarded, land that the state has acquired for free or through payment, land that has been appropriated for public utility use, and land acquired by prescription and confiscated land.

The transfer of land in the private domain for payment can be agreed through a straightforward sale or by means of an exchange, and constitutes a definitive transfer of ownership rights. On the other hand, concessions give the beneficiary temporary enjoyment of a land right other than ownership. The relevant authority grants the transfer or concession when the development program presented and the applicant's means are considered to be serious.

According to the terms of Article 380 of the Land Code, any holder of land rights is committed to making productive use of the land, in line with the type and potential of the land to which they hold rights. The same article emphasizes that productive usage consists of ongoing development and exploitation of the land.

FO 2. What is the actual experience of transferring a property?

The registration process involves many stakeholders and many different documents. The Land Code makes provision for a communal administrator, a communal council, and a communal secretary (Article 329, paragraph two) and that a request from the land rights holder triggers this process. Three essential documents are necessary: (1) a comprehensive certificate proving the applicant's identity, (2) a record of the land survey and boundary marking, (3) a summary description of the piece of land indicating in particular the surface area and its geographical location in relation to the main recognized reference points.

The list is not exhaustive as Article 358, paragraph 1, d) of the code refers to all other documents that can confirm or support the applicant's claims. All the documents that are presented must be submitted with two copies. The process is, therefore, very expensive.

FQ 3. What are the actual housing conditions for all groups including the poor, minorities and other marginalized groups?

The term 'Batwa' or 'Pygmies' is used to describe hunter-gatherers who are small in stature, live in small groups and constantly move around the equatorial forest areas of Central Africa. The Batwa who, due to their marginalization, continue to observe their specific customary practices by asserting their ownership rights in their traditional areas.

Collective ownership is used by the Batwa as a form of traditional land appropriation; it assumes that multiple users will be involved in exploiting natural resources in forests and extracting clay in marshland areas. The small parcels of land occupied by the Batwa cannot be transferred as they come under the common law of Batwa group members, often family groups.

The Batwa are critical of the concept of land that is abandoned with no chance of the owners returning. They believe that they own land they have left to find a new collective place to live in order to move closer to a hunting ground or to an area for collecting clay that they have just discovered, and that they may later return to the previous camp. This approach suggests that Batwa land was considered as abandoned land, even though this was not the case because they often returned to their former land.

Source: Land Rights and the Forest Peoples of Africa – Forest Peoples Programme
www.forestpeoples.org/sites/fpp/files/publication/2010/05/burundilandrightsstudy09eng.pdf

Many groups have advocated for the replacement of customary systems with statutory tenure. Yet the task of unifying land management requires a level of institutional capacity that is often out of reach of many post-conflict states. A failed attempt could result in dual usage of customary and statutory systems where the latter is accessible only to an elite few.

Moreover, the use of dual tenure systems can result in widespread confusion for returnees. Internally Displaced Persons may be unfamiliar with recent changes in land management, or may be unaware that such changes have even occurred. Dual systems often result in competing claims where one individual has a documented land title and the other has a traditional right. Such confusion was endemic in Burundi following the implementation of the Burundi Land Code in 1986 amidst displacement, a lack of government capacity and corruption.

It is important to remember that distribution of land is akin to the distribution of power. Where redistributed land is inadequate in its scale or in its fertility, returnees are unlikely to become self-reliant. Such inequities in land ownership and use will ultimately reduce women's economic and social power - further entrenching their relative disadvantage. Moreover, the organizational structure of land is as important as its quantity and quality.

Source: IDP Return Processes and Customary Land Tenure, Brookings Institute
www.brookings.edu/speeches/2008/0207_property_kiggundu.aspx

2. Access to Credit



Goal – An efficient, transparent financial sector that provides a broad range of citizens with access to multiple forms of competitive credit so that they can start businesses, build wealth, and purchase property

2.1 Banks

Core Question:	Are traditional banking services robust and extensive enough to serve the needs of the population to help them build wealth and purchase property? No –Very Weak, retail and corporate banking are at a relatively early stage of development. Many people still rely on microcredit or informal lending.
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Access

2.1.1 How easy is it to obtain a bank loan? **Very Weak – Ranking 126th out of 133; Score 2.1 out of 7**

Soundness

2.1.2 How sound are the country's banks? **Very Weak – Ranking 124th out of 133; Score 4 out of 7**

Source: *The Global Competitiveness Report*, World Economic Forum
www.weforum.org/documents/GCR09/index.html

2.1.3 Microlending

Status – Weak

2.1.3.1 Microfinance allows citizens without traditional creditworthiness to build a credit history. How many microfinance institutions are operating in the country? **1**

Fédération Nationale des COOPECS du Burundi

2.1.3.2 What is the number of active borrowers per institution?

14,112

Source: Microfinance Information Exchange www.mixmarket.org/mfi

2.2 Other Sources

Core Question:	Are entrepreneurs free to raise capital outside the banking system including venture capital and/or by issuing stock in a well-regulated stock exchange? No –Very Weak, the state dominates the two largest commercial banks. It is not easy for small enterprises to get credit and the availability of long-term capital is inadequate.
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Financial Freedom

2.2.1 How much control does the government exert over financial services? **Weak for entrepreneurs – Score 30 out of 100 – Considerable government control**

Source: *Index of Economic Freedom*, Heritage Foundation
www.heritage.org/index/Country/Burundi

Venture Capital

2.2.2 How easy is it for entrepreneurs to find venture capital?
Very Weak – 108th out of 133; Score 2.3 out of 7

Equity Investors

2.2.3 How easy is it to raise money by issuing shares on the stock market? **Very Weak – 122nd out of 133; Score 2.4 out of 7**

Source: *The Global Competitiveness Report*, World Economic Forum
www.weforum.org/documents/GCR09/index.html

2.3 Credit Bureau

Core Question:	Is comprehensive credit information available through public and private credit bureaus? No – Very Weak less than 0.05% of people use bank credit services.
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Overall Ranking 167th out of 183

Coverage

2.3.1 What is the depth of information available in credit bureaus? **Weak – Score – 1 out of 6 with a higher number indicating more information is available**

Public

2.3.2 What is the extent of public credit registry coverage? **0.02% Weak**

Private

2.3.3 What is the extent of private credit registry coverage? **Very Weak – not available**

Source: *Doing Business – Getting Credit*, World Bank
www.doingbusiness.org/ExploreEconomies/?economyid=32

In-Country Assessment Information

FQ 4. How available are mortgage loans for purchasing property, who is the typical user and what are the prevailing trends?

Access to financial services is limited, reflecting the underdeveloped payments system. Based on data from 2007–08, only 2 percent of the total population has a bank account, and less than 0.5 percent use bank credit services. Consequently, cash transactions predominate, and payment instruments are physically exchanged. Moreover, most small and medium-size enterprises find it difficult to obtain credit, mainly because of lack of adequate information on the creditworthiness of prospective borrowers, the unavailability of real guarantees, and weak capacity of project preparation.

The Central Bank is engaged in financial sector reform to broaden access to financial services. With the newly established steering committee, work on financial sector reform will accelerate, to enable the council of ministers to adopt a comprehensive strategy in the first quarter of 2011. Urgent reforms are already underway, in close coordination with World Bank technical and financial assistance. These urgent priorities include: (i) modernizing the payment systems (which entails computerization of check clearing); (ii) introducing electronic banking services; (iii) improving regulation and supervision of commercial banks and microfinance institutions; (iv) setting up a credit bureau to ensure effective assessment of borrowers' creditworthiness; and (v) developing domestic financial markets to provide long-term and stable sources of funds for banks.

FQ 5. What are the interest rates, term and loan-to-value ratios for available mortgages?

Public debt generally "crowds out" private debt. Average lending rates are around 17% for very short terms (less than one year.)

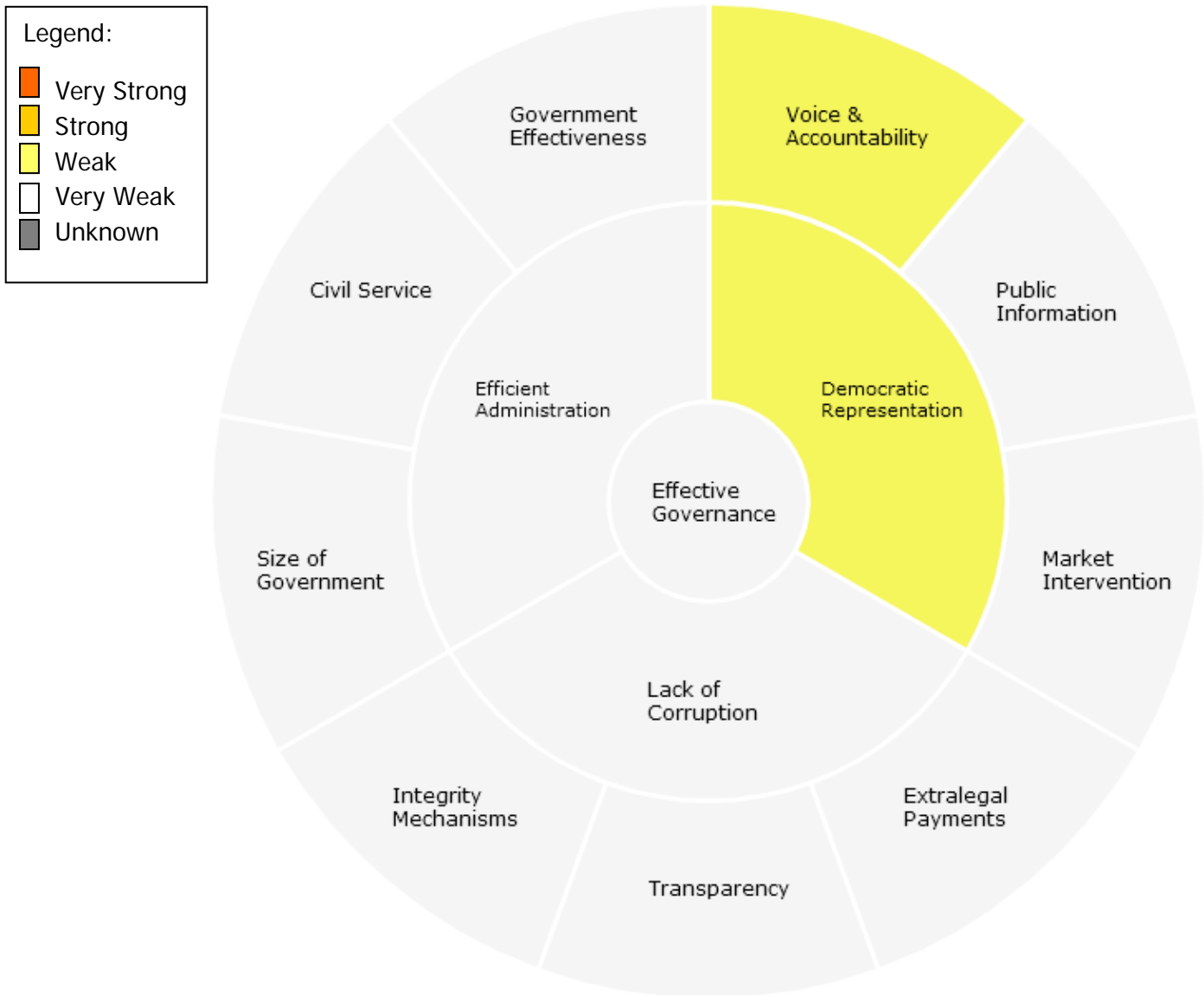
Source: International Monetary Fund www.imf.org/external/country/BDI/index.htm

FQ 6. Are there any informal barriers to borrowing such as for women or minorities?

Widespread land disputes over limited territory marginalize Burundi's poor and disenfranchised communities, already struggling in the wake of civil war. Violence against women in Burundi is also on the rise: women face displacement from their homes and communities, and are threatened by rape. Without strengthening Burundi's judicial system and advocating for good governance from its leadership, the scope of this crisis could threaten the stability of the country. (2008)

Source: Global Rights www.globalrights.org/site/PageServer?pagename=www_africa_burundi

3. Effective Governance



Goal – A popularly elected government free of corruption and functioning efficiently and transparently enough to guarantee economic freedom to individuals and support equitable property markets

3.1 Democratic Representation

Core Question:	Does the country have free and open elections for the leadership and can citizens engage in free enterprise? Yes – Weak, genuine democratic processes are emerging including a vibrant media and civil society
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3.1.1 Voice & Accountability

3.1.1.1 Are citizens able to elect their government and do they enjoy freedom of expression, association and a free media? **No – Weak – Percentile Rank – 28**
Trend ↑

Source: *Governance Matters*, World Bank
http://info.worldbank.org/governance/wgi/sc_chart.asp

3.1.1.2 Are citizens free to form political and civic organizations free of state interference and surveillance? **No – Weak – Score 4.71 out of 10**

Overall Ranking – 106th out of 167

Source: *The Economist* Intelligence Unit Democracy Index
<http://graphics.eiu.com/PDF/Democracy%20Index%202008.pdf>

3.1.2 Public Information

Overall Ranking – Very Weak; Score 54 out of 100 (2007)

3.1.2.1 Are there regulations governing conflicts of interest in the executive and legislative branches of government? **No – Executive Score 44 out of 100 – Very Weak; Legislative Score 38 out of 100 – Very Weak**

3.1.2.2 Can citizens access legislative processes and documents? **No – Score 18 out of 100 – Very Weak**

Source: *Global Integrity Report* – <http://report.globalintegrity.org/Burundi/2007>

3.1.3 Market Intervention

Overall Ranking – Very Weak 160th out of 179 Trend ↓

3.1.3.1 To what extent does the government intervene in the private sector including state owned industries? **Score 42.7 out of 100 with a higher score indicating less intervention**

3.1.3.2 To what extent does the government control prices? **Score 62.7 out of 100 with a higher score indicating less control**

Source: *Index of Economic Freedom* – Heritage Foundation
www.heritage.org/index/Country/Burundi

3.2 Lack of Corruption

Core Question:	Is the public sector transparent and free of corruption? No – Very Weak, civil servants demand petty bribes for services, licenses, or permits; corruption is present in every area of life.
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Transparency

3.2.1 What is the perceived level of corruption in the country? **Very Weak – Ranking – 168th out of 180; Score 1.8 out of 10 Trend ↓**

Source: Transparency International
www.transparency.org/policy_research/surveys_indices/cpi/2009

Integrity Mechanisms

3.2.2 A National Integrity System is a framework where the principle institutions that contribute to integrity, transparency and accountability in a society can address corruption in a systematic way. Does a National Integrity System exist? **No – Very Weak**

Source: Transparency International – East Africa Bribery Index
www.transparency.org/news_room/latest_news/press_releases_nc/2010/2010_07_22_ti_kenya_eabi

Extralegal Payments

3.2.3 How often do companies report that officials and/or companies expect additional payments to “expedite” services or gain business? **56.5% of firms say they are expected to make unofficial payments – Very Weak**

Source: *Enterprise Surveys*, World Bank, 2006
<http://www.enterprisesurveys.org/ExploreEconomies/?economyid=32&year=2006>

3.3 Efficient Administration

Core Question:	Are quality services and qualified civil servants available to the public through the efficient use of public money free of corruption? No –Very Weak, the civil service, executive branch and legislative branches lack important accountability processes.
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Size of Government

3.3.1 What is the size of government relative to GDP? **43.7% - 25 to 30% considered optimum – Very Weak**

Source: *Index of Economic Freedom*, Heritage Foundation
www.heritage.org/index/Country/Burundi

Civil Service

3.3.2 What is the quality of the civil service? **Very Weak – Score 45 out of 100**

Source: *Global Integrity Report* – <http://report.globalintegrity.org/Burundi/2007/scorecard>

Government Effectiveness

3.3.3 What is the overall effectiveness of the government? **Very Weak - Percentile Ranking – 12.9 Trend ↑**

Source: *Governance Matters*, World Bank
http://info.worldbank.org/governance/wgi/sc_chart.asp

In-Country Assessment Information

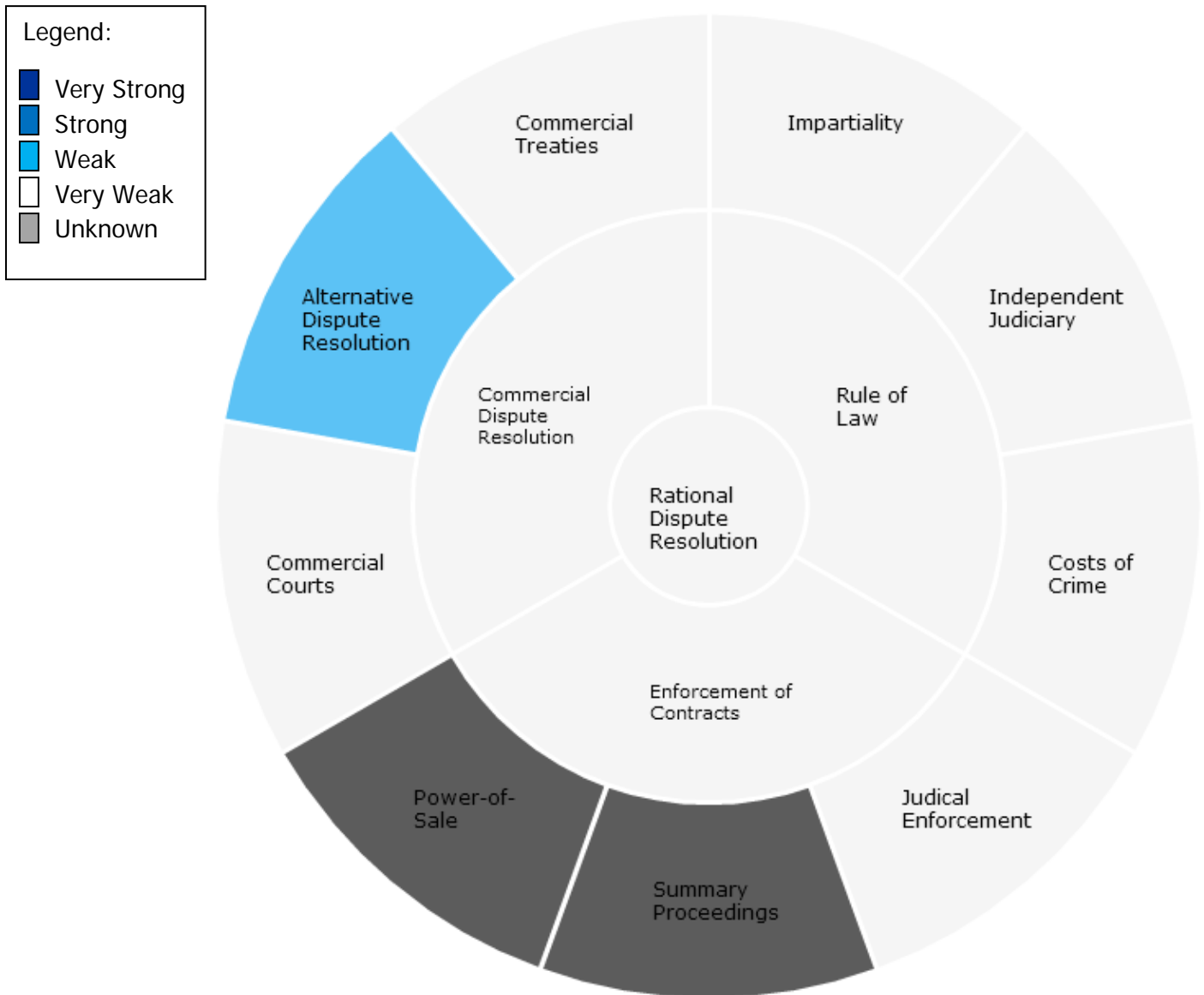
FQ 6. What is the actual experience of practitioners in dealing with the government?

Because of impunity extended to cases of large corruption, small bribes are given or taken at all levels. To access better schools, better health services in public hospitals, administrative papers and justice, Burundi must offer bribes to the civil servants in charge.

In Burundi, not a single day goes by without corruption stories in the media. The latest embezzlement and corruption escapades fill the daily news. People seem to be fascinated and depressed at the same time by these "soap operas."

Source: Transparency International <http://report.globalintegrity.org/Burundi/2007/notebook>

4. Rational Dispute Resolution



Goal – An efficient institutional framework that balances the rights of the public, owners, lenders and borrowers in the event of a dispute or loan default

4.1 Rule of Law

Core Question:	Do all market participants abide by the rule of law and have confidence in the courts and the ability of police to control crime? No – Very Weak, law enforcement is weak and vulnerable to political influence.
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Impartiality

4.1.1 What is the confidence level of the strength and impartiality of the police, courts and contract enforcement? **Very Weak – Percentile Ranking – 11.8 Trend ↓**

Source: *Governance Matters*, World Bank

http://info.worldbank.org/governance/wqi/sc_chart.asp

Judiciary

4.1.2 Can members of the judiciary be held accountable for their actions? **No– Score 28 out of 100 – Very Weak**

Source: *Global Integrity Report* – <http://report.globalintegrity.org/Burundi/2007>

Costs of Crime

4.1.3 What are the business costs of crime and violence? **High costs – Ranking 116th out of 133 – Score 3.3 out of 7, Very Weak**

Source: *The Global Competitiveness Report*, World Economic Forum

www.weforum.org/documents/GCR09/index.html

4.2 Enforcement of Contracts

Core Question:	Are systems in place for timely and efficient enforcement of contracts? Commercial – No – Very Weak Residential – No – Unknown
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4.2.1 – Judicial Enforcement

Commercial – Very Weak – Ranking 172nd out of 183 Trend ↓

4.2.1.1 What is the number of procedures involved in resolving a commercial dispute? **44**

4.2.1.2 What is the time between the filing of a lawsuit and resolution in judicial enforcements? **832 days**

4.2.1.3 What is the cost of judicial enforcements as a percentage of debt value? **38.6%**

Source: *Doing Business* – www.doingbusiness.org/ExploreEconomies/?economyid=32

Residential – Unknown – assumed no practice

Survey Questions

SQ 10 What is the time between notice of intent to foreclose and loan collection in judicial enforcements? **Unknown**

SQ 11 What is the cost of judicial enforcements as a percentage of property value? **Unknown**

4.2.2 – Summary Proceedings

SQ 12 Summary proceedings are alternative dispute resolution processes where creditors can apply for a direct court order in property disputes. What is the time between notice of intent to foreclose and loan collection in summary proceedings if available to lenders? **Unknown**

SQ 13 What is the cost of summary proceeding if available to lenders as a percentage of property value? **Unknown**

4.2.3 – Power-of-Sale

SQ 14 Power-of-sale agreements give creditors to power to sell properties after notice to the borrower without court intervention. What is the time between notice of intent to sell and loan collection for power-of-sale agreements if available to lenders? **Unknown**

SQ 15 What is the cost of power-of-sale agreements if available to lenders as a percentage of property value? **Unknown**

Source – *Financing Homes 2008*, World Bank and International Housing Finance Corporation
[www.ifc.org/ifcext/sme.nsf/AttachmentsByTitle/financinghomes/\\$FILE/FinancingHomes.pdf](http://www.ifc.org/ifcext/sme.nsf/AttachmentsByTitle/financinghomes/$FILE/FinancingHomes.pdf)

4.3 Commercial Dispute Resolution

Core Question:	Can commercial disputes be resolved efficiently and fairly without exorbitant expense and delay? No – Very Weak, business law and administrative regulations need to be clarified to improve the business climate.
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Survey Questions

Commercial Courts

SQ 16 Do specialized commercial courts exist for the handling of property disputes and foreclosures? **No – Very Weak, the only commercial court is in the capital, but it lacks adequate facilities, equipment and capacity.**

Source: Breaking the Cycle: A Strategy for Conflict-Sensitive Rural Growth in Burundi, World Bank <http://go.worldbank.org/YLXQGOE2M0>

Alternative Dispute Resolution

SQ 17 Are alternative dispute resolution mechanisms in place including commercial arbitration, private mediation and community based processes? **Yes – Weak, a government tribunal recognizes international arbitration.**

Commercial Treaties

SQ 18 What bilateral, regional and international commercial treaties exist concerning business between countries? **None in place – Very Weak**

Source: U.S. State Department Investment Climate: www.state.gov/e/eeb/ifd/2008/100833.htm

In-Country Assessment

FQ 7. To what extent do practitioners report contracts as enforceable?

Distrust in the judicial system in Burundi is profound and widespread, and justice is viewed by most Burundians and external observers as the most corrupt branch of government. The formal judicial system is perceived as neither impartial nor efficient. Many citizens have lost confidence in the system's ability to provide even basic protection, and assume that the courts have always promoted the interests of the powerful.

Several major factors can be identified that feed the current distrust in the judicial system—impunity, corruption of justice personnel, lack of independence, complexity and length of procedures, and the unresolved status of the traditional justice system (Bashingantahe).

Impunity in Burundi presents two different aspects: (a) impunity for those crimes committed during armed conflict; and (b) impunity for crimes of corruption and other crimes. In the absence of rule of law, aggrieved parties often seek justice and redress by their own means, a phenomenon more dangerous due to the presence of small arms.

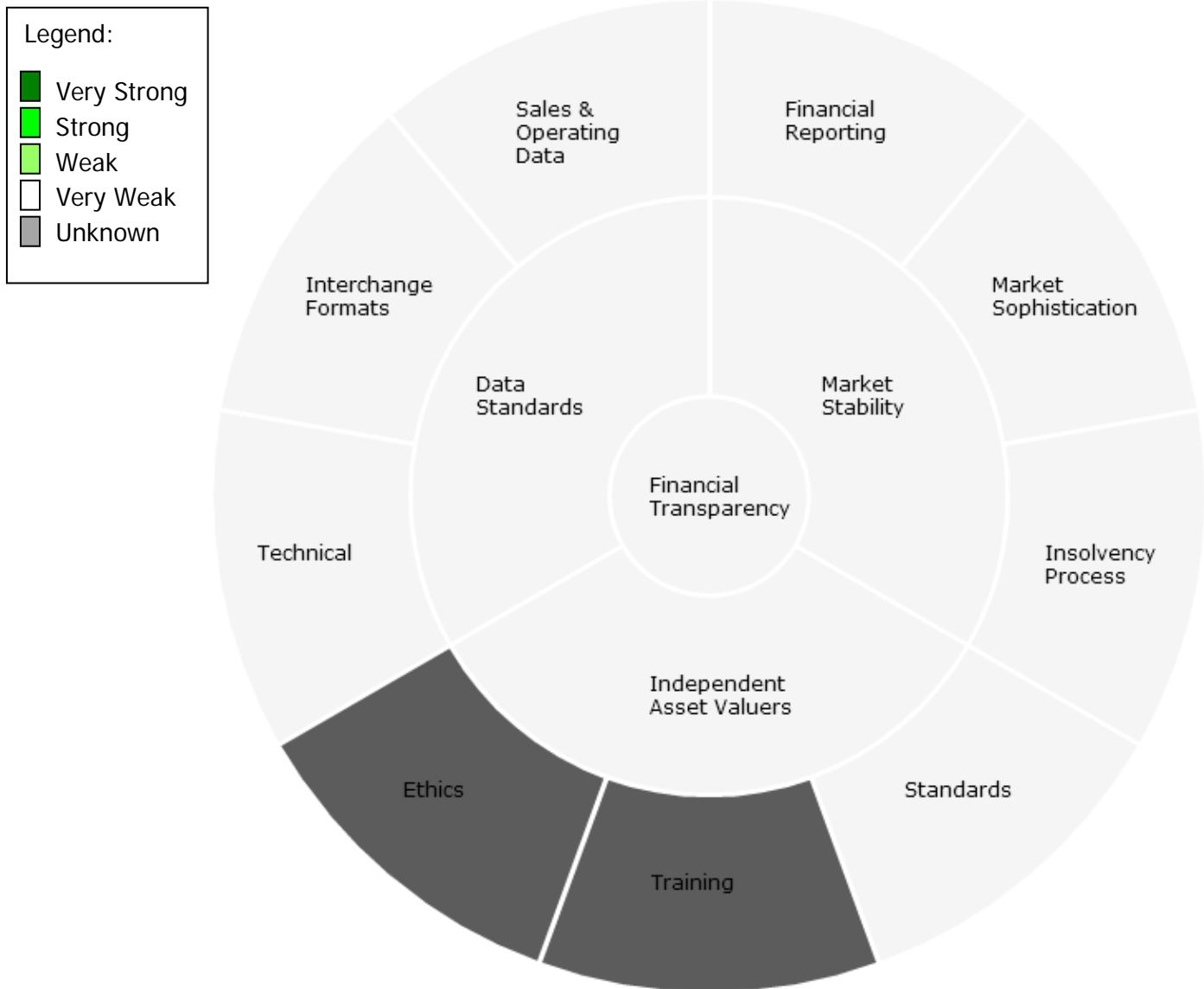
The traditional justice system is closer to local communities than formal law, however, it has lost some of its legitimacy due to the politicization over the last decades. Also, because of widespread poverty in the country, the poor can no longer afford the traditional in-kind offering (local beer) that is necessary to have one's case heard, and allegations of corruption of the

'wise men' are becoming more common. Furthermore, the boundaries between the traditional and the modern systems of justice have become blurred as the Bashingantahe have stepped in to arbitrate conflicts that are expected to be treated by the official justice system.

In spite of the widely-held view that justice has failed in Burundi, little has been done until now to remedy the situation. The Government has yet to organize a thorough stocktaking exercise (États Généraux de la Justice), and only a few tentative steps, like the on-going reform of the Penal Code, have been taken toward identification and implementation of necessary reforms. The Government has taken some initiatives to combat corruption such as the creation of an anti-corruption brigade and the transformation of the Inspection des Finances into an Inspection Générale de l'État. A more systemic effort is required because establishing the rule of law and credible institutions of justice are essential requirements for a durable peace in Burundi, as well as for providing the necessary institutional framework for socioeconomic development and growth.

Source: Breaking the Cycle: A Strategy for Conflict-Sensitive Rural Growth in Burundi, World Bank (2008) <http://go.worldbank.org/YLXQGOE2M0>

5. Financial Transparency



Goal – A well developed and transparent financial system that includes strong supporting institutions and highly trained and ethical professionals that contribute to effective financial intermediation and deep and broad access to capital and financial services

5.1 Market Stability

Core Question:	Are market risks sufficiently transparent and diversified so that efficient capital allocation can occur? No – Very Weak, institutional capacity is still inadequate despite substantial technical assistance from international development agencies.
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Financial Reporting

5.1.1 What is the strength of the country's auditing and reporting standards? **Very Weak – 128th out of 133; Score 3.3 out of 7**

Market Sophistication

5.1.2 What is the overall level of financial market sophistication in the country? **Very Weak – 133rd out of 133; Score 2.1 out of 7**

Source: *The Global Competitiveness Report*, World Economic Forum
www.weforum.org/documents/GCR09/index.html

Insolvency Process

Very Weak – Ranking – 183rd out of 183

5.1.3 What is the average time to complete bankruptcy proceedings? **No practice**

5.1.4 What is the cost of bankruptcy proceedings as a percentage of the estate? **No practice**

5.1.5 What is the recovery rate of bankruptcy proceedings? **0 cents on the dollar**

Source: *Doing Business* – Closing a Business
www.doingbusiness.org/ExploreEconomies/?economyid=32

5.2 Independent Asset Valuers

Core Question:	Do trained, independent and ethical asset valuers exist for all types of assets? No – Very Weak, service delivery is constrained in the public sector particularly in regards to land valuation and conflict resolution.
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Survey Questions

Standards

SQ 19 How easy is it to find a valuer who implements International Valuation Standards? – **Very Weak – no standards for valuation in Land Code**

Training

SQ 20 What is the level of training of valuers? **Unknown**

Civil Society Resource: International Real Property Foundation www.irpf.org

Ethics

SQ 21 Are opinions offered by valuers free of influence from parties to the transaction?
Unknown

Civil Society Resource: International Valuation Standards Council www.ivsc.org

5.3 Data Standards

Core Question: Is accurate property information available electronically in formats that are consistent with international standards? **No – Very Weak, data systems are inefficient and unreliable.**

Survey Questions

Sales & Operating Data

SQ 22 A multiple listing service is an electronic exchange system where brokers and agents can widely share contracted real estate listings of properties that are for sale. Do multiple listing type services exist? **No – Very Weak, regional Internet sites starting to emerge**

*Civil Society Resource: International Consortium of Real Estate Associations
www.worldproperties.com*

SQ 23 Do resources exist for obtaining building income and expense estimates? **No – Very Weak**

Civil Society Resource: Institute of Real Estate Management www.irem.org

Interchange Formats

SQ 24 Do electronic data interchange formats conform to international standards (ebXML – electronic business using extensive markup language)? **No – Very Weak**

*Civil Society Resource: Open Standards Consortium for Real Estate International
www.oscre.org*

Technical Standards

SQ 25 Do building codes and office building measurement standards (ANSI/BOMA Z65.1) conform to international standards? **No – Very Weak**

Civil Society Resource: Building Owners and Managers Association www.boma.org

In-Country Assessment

Market Stability

FQ 9. How stable has the property market been over the last several years?

The global financial crisis has slowed the Burundian economy and contributed to a significant decline in inflation. Economic growth moderated to 3.5 percent in 2009, from 4.5 percent in 2008, mainly because of lower private transfers and foreign direct investment. Because of lower international oil and food prices, headline inflation (end of period) declined from about 26 percent in 2008 to about 4.5 percent in 2009. Supported by donor flows and the SDR allocation, gross official reserves remained steady at 6.5 months of imports in 2008–09. The economic outlook is generally positive but subject to risks from the security situation and external environment.

Source: International Monetary Fund www.imf.org/external/country/BDI/index.htm

Valuation Profession

FQ 10. How many independent valuers exist in the market?

To register a property transfer, “an expert is designated by the Ministry of Finance to check whether the price is the correct one.” The process for selection or the qualifications of the valuer are unknown.

FQ 11. How many companies exist and what is the average size of valuation companies?

The Knight Frank Uganda office lists valuation services for Burundi. Firms in the East Africa Region likely provide services in Burundi. No independent, native firms located.

www.knightfrank.com/uganda/our-services/

FQ 12. What are the valuation standards and do they conform to international and regional standards?

No national standards.

FQ 13. What valuation methods and techniques are used in the market?

The law sets the rates applicable for the determination of such taxes. The important matter consists especially in terms of assessing the basis of that tax. It varies for building constructed per square meter of land (the latter being calculated only in terms of buildings, including decks, porches, balconies and galleries), and depending on the nature of construction (hard, semi-hard or not hard), but also in the case of Bujumbura, according to the classification of neighborhood (Minimum equipment, with moderately or highly equipped). For undeveloped land, it is into account the size and ranking of the location of the land area.

Source:

www.foncier-developpement.org/outils/cadres-legislatifs-et-institutionnels/fiche-pays-burundi

FQ 14. Are there valuer associations in the market? What number and percentage of practitioners belong?

None known.

FQ 15. What training programs are available to upgrade the quality of valuers? Unknown

FQ 16. Are peer review mechanisms in place to assist in enforcing ethical behavior? Unknown

FQ 17. What is the quality of valuation reports? Unknown

Data Availability

FQ 18. What is the status of proprietary data bases that include property information?

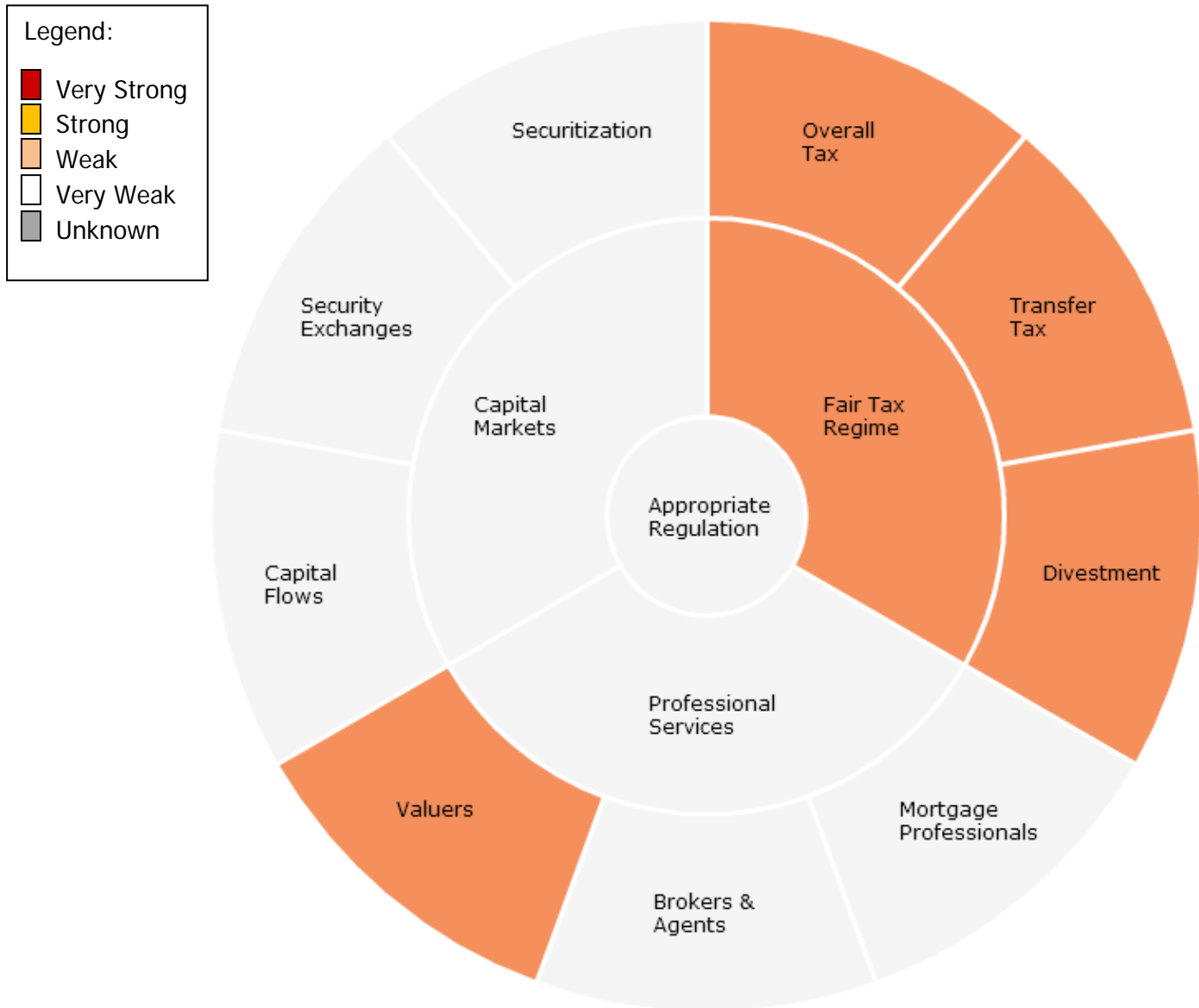
Less than 5% of land is registered and oral traditions predominate.

Source: Internal Displacement Monitoring Center [www.internal-displacement.org/idmc/website/countries.nsf/\(httpEnvelopes\)/70ADDB7DA1026C91802570B8005A7509?OpenDocument](http://www.internal-displacement.org/idmc/website/countries.nsf/(httpEnvelopes)/70ADDB7DA1026C91802570B8005A7509?OpenDocument)

FQ 19. What is the status of existing data sharing mechanisms for properties that are for sale? Some regional Internet sites developing

FQ 20. Do valuers have an established data sharing mechanisms? None known

6. Appropriate Regulation



Goal – A comprehensive regulatory regime that is transparent, efficient, simple in its implementation and that leads to accurate reporting of property values and prudent protection from market risks

6.1 Fair Tax Regime

Core Question:	Do market participants feel the overall tax rate is fair and participate in formal transactions? Weak – tax rates are relatively high but not a major restraint on business.
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Transfer Tax

6.1.1 What is the total property transfer tax including all duties and payments? **Weak – 6.3%**

Overall Tax

6.1.2 What is the overall tax rate on entrepreneurs (as a percentage of profits)? **278.6% – Ranking – 116th out of 183, Weak – Trend ↓**

Divestment

Survey Question

SQ 26 What is the tax on profits for foreign investors when divesting property? **35% capital gains tax - Weak**

Source: *Doing Business* – Paying Taxes & Registering Property, World Bank
www.doingbusiness.org/ExploreEconomies/?economyid=32

6.2 Professional Services

Core Question:	Are the professional services necessary for efficient and transparent property markets available and appropriately regulated and supervised? No – Very Weak, lack of capacity delays the reforms needed to restructure and modernize the economy.
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Asset Valuers

Survey Questions

SQ 27 Are property valuers licensed and/or certified by the government? **No – Weak, Ministry of Finance designates experts for land price confirmations.**

Civil Society Resource: The Appraisal Foundation www.appraisalfoundation.org

SQ 28 How effective are mechanisms in place to discipline valuers who engage in misconduct? **Very Weak – none known**

See pages 26-27 for in-country assessment information regarding valuers.

Brokers & Agents

Survey Questions

SQ 29 Are real estate brokers and agents licensed and/or certified by the government? **No – Very Weak**

SQ 30 How effective are mechanisms in place to discipline brokers or agents who engage in misconduct? **Very Weak – none in place**

Mortgage Professionals

Survey Questions

SQ 31 Are mortgage professionals licensed and/or certified by the government? **No – Very Weak**

SQ 32 How effective are mechanisms in place to discipline mortgage professionals who engage in misconduct? **Very Weak – none in place**

6.3 Capital Markets

Core Question:	Are capital markets well-regulated and diversified enough to provide financial resources to private-sector entrepreneurs and innovators? No – Very Weak , there is no stock, corporate or government bond market.
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Capital Flows

6.3.1 How restricted is the flow of capital into and out of the country? **Very Weak – Ranking 127th out of 133; Score 3.1 out of 7**

Security Exchanges

6.3.2 Is the regulation of securities exchanges transparent, effective and free of influence from government and industry? **No – Very Weak, Ranking 130th out of 133; Score 2.5 out of 7**

Source: *The Global Competitiveness Report*, World Economic Forum
www.weforum.org/documents/GCR09/index.html

Securitization

6.3.3 What is the depth of asset-backed securities, mortgage-backed securities, high-yield bonds and highly leveraged loans? **Very Weak – No market**

In-Country Assessment

Taxation

FQ 21. What is the overall taxation system in regards to property?

Burundi tax system relies principally on indirect taxes, which account for approximately 75 percent of total tax revenues. The major indirect taxes are the Value Added Tax at 18% and the service tax set at 6%. Personal income tax and corporate tax rates are 35%. Tax on dividends is 15%. Burundi levies certain taxes on imports, goods and services:

0 rate for basic products

5%, applied generally to equipment and construction material and production inputs

15%, applied to intermediate imports (semi-finished products) and mass transportation vehicles

30% applied consumption imports

Source: www.taxrates.cc/html/burundi-tax-rates.html

Brokerage

FQ 22. What is the number of practitioners in the country including full-time brokers/agents with formal training and part-time, informal brokers?
Unknown

FQ 23. What is the number and average size of brokerage companies?

No native agencies found. Regional agencies in Rwanda and Kenya have listing in Burundi. The Internet site www.propertyzote.com/ had a few listings.

FQ 24. Are there brokers associations active in the market? What number and what percentage of practitioners belong? None known

FQ 25. What training programs are available to enhance productivity?
None known

FQ 26. Is there a Code of Ethics or standards that practitioners follow? Is the Code enforced? None known

FQ 27. Do civil society organizations exist to support the development of mortgage professionals? None known

Appendix – Procedures for Registering a Property

Source – *Doing Business* – Registering Property, World Bank

1. Obtain a proof of title property at the Land Registry

Time to complete: 5 days

Cost to complete: No cost

Comment:

The seller must give the original property title to the buyer for the checking (or go with the buyer at the Land Registry - Departement des Titre Foncier). The buyer asks the "Conservateur" to check if the property is indeed registered to the present owner. The buyer also requests proof that the property is not encumbered by mortgages, liens or other securities.

2. The lawyer drafts the sale agreement and is signed by both parties

Time to complete: 2 days

Cost to complete: 250.000 BIF

Comment:

Both parties sign a "compromis de vente" once it has been prepared by a lawyer.

3. The buyer checks the price at the Land Registry

Time to complete: 25 days

Cost to complete: 10 000 BIF

Comment:

The buyer goes to the Land Registry with the compromis de vente and the property title. The Land Registry will send the documents to the Ministry of Finance for price verification. An expert is designated by the Ministry of Finance to check whether the price is the correct one. This depends largely on the availability of the expert. The expert will produce a report which is transmitted to the Director for signature. If for instance the price on the "Compromis de vente" is lower, the transaction tax will be paid based on the appraisal value provided by the expert from the Titre Foncier and not on the agreed price between vendor and buyer. The Titre foncier also proceed to the verification that this property has no encumbrances.

4. Notarize the Sale Contract at the Public Notary

Time to complete: 2 days

Cost to complete: 21.000 BIF

Comment:

The parties should notarize their sale contract with an accredited public notary. Costs vary in each case. Notaries usually charge a fixed fee per page. Assuming a standard sale contract, an average estimation of the cost of this procedure is BIF 21,000.

5. File for Name Change with the Land Registry

Time to complete: 60 days

Cost to complete:

3% property value (tax to change the Property Title to the buyer's name)

Comment:

The parties should file a request with the Land Registry for the transfer of property to the buyer's name. The only documents the parties are required to present are the notarized sale contract and the property title. The Land Registry employees have to perform due diligence and might do a field inspection of the land. The Director of the Registry will also write to the Urbanism Department "Services de l'Urbanisme" asking it to confirm that the total surface and total sale price as stated in the sale contract are accurate and not understated. The due diligence process could take one or two months. The former 7% additional tax has been abolished by the Loi des Finances of 2007. The "Loi des Finances 2007" (article 35) adopted on December 30, 2007 and implemented in January 2008, has abolished the property transfer tax of 6%. Article 36 of the same law, authorizes the Land Registry "département des titres fonciers" to charge 3% of the property value for all transactions.