

International Property Markets Scorecard

Rwanda Market Conditions – Complete Survey August 2009



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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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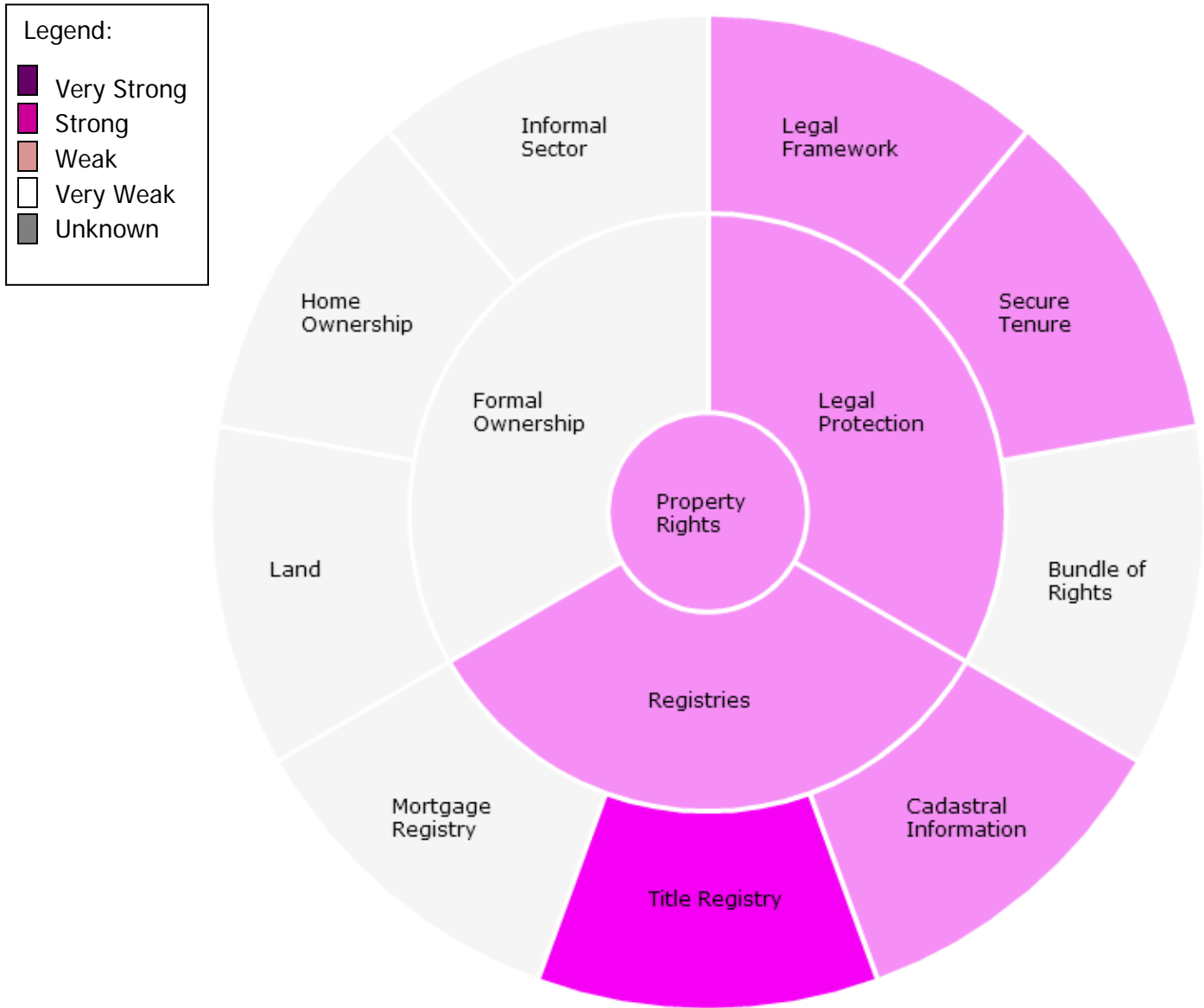
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1. Property Rights



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 – Weak – National Land Tenure Reform Program underway
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Legal Framework

1.1.1 Are property rights clearly defined and protected by law? **No – Weak – Score 30 out of 100 with a higher score indicating more institutional support**

Source: *2009 Index of Economic Freedom* – Heritage Foundation
www.heritage.org/index/Country/Rwanda

Security of Tenure

1.1.2 Can citizens challenge the legality of government takings? **No – Weak – the current reform has limited capacity to address the problems of the poor and vulnerable.**

Source: *Improving Tenure Security for the Rural Poor*, Food and Agricultural Organization of the United Nations <ftp://ftp.fao.org/docrep/fao/010/k0784e/k0784e00.pdf>

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 – laws relating to land are scattered and obsolete.**

Source: *National Land Policy*, Ministry of Natural Resources
www.minirena.gov.rw/IMG/pdf/National_Land_Policy.pdf

1.2 Registries

Core Question:	Does a reliable property registry exist including cadastral, title and mortgage lien information? Yes – Weak, completing a title change can take up to a year; reforms underway.
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1.2.1 Cadastral Information

Status – Weak – Modernization program began in January 2008

Survey Questions

SQ 2 Is cadastral information (information about the dimensions and location of land parcels) accessible to the public? **No, but pilot projects underway**

SQ 3 Is zoning/permitted use information included are use regulations respected and enforced? **No, but pilot projects underway**

SQ 4 Are Geographic Information Systems (GIS) including Global Positioning Satellite (GPS) information used to create and update the registry? **Yes**

Source: National Lands Centre – Office of the Registrar of Land Titles
www.minirena.gov.rw/spip.php?rubrique228

Civil Society Resource: International Federation of Surveyors www.fig.net/

1.2.2 Title Registry

Strong – Ranking – 60th out of 181 Trend ↑

- 1.2.2.1 What is the number of procedures required to register the transfer of a property from one owner to another? **4**
- 1.2.2.2 What is the duration of time in calendar days that it would take to complete the transfer? **315**
- 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? **0.6%**

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

Source – *Doing Business* – Registering Property, World Bank
www.doingbusiness.org/ExploreEconomies/?economyid=160

1.2.3 Mortgage Registry

Status –Very Weak

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 – Reforms underway, central registry to be completed by 2014.**

Survey Questions

Land

SQ 8 What is the status of land ownership? **Very Weak – currently there is conflict between customary law (land passing from father to son) and written law granting land tenure to rights to individuals from the government.**

Source: *National Land Policy*, Ministry of Natural Resources
www.minirena.gov.rw/IMG/pdf/National_Land_Policy.pdf

Home Ownership

SQ 9 What is the percentage of formal home ownership? **Very Weak – only 38% of population had access to hygienic sanitation facilities in 2006.**

Source: *Economic Development and Poverty Reduction Strategy*, Ministry of Infrastructure
http://mininfra.gov.rw/index.php?option=com_content&task=view&id=209&Itemid=351

Informal Sector

SQ 10 What is the size of the informal economy as a percentage of GDP? **85% - Very Weak Formal Sector (2006)**

Source: Private Sector Federation www.psf.org.rw/

In-Country Assessment Information

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

The National Land Centre/Office of the Registrar of Land Titles is a key Institution set up to implement the National Land Tenure Reform Program as provided for by the National Land Policy and the Organic Law determining the use and management of land in Rwanda. This program aimed at improving land tenure security by putting in place an efficient, transparent and equitable system of land administration.

Cadastral surveys, mapping and land registration are the core components of land administration. The new and modern land administration is embedded in a broader land information system, fully coordinated and automated, without separation of land registration, cadastral surveys and mapping, because they complement each other; more importantly, they belong together as a whole.

The benefits of land registration include among others:

- (a) Certainty of ownership: the formal identification and recognition of the ownership of the land (adjudication), lead to security of tenure, to greater social cohesion, as well as to increased productivity, especially in rural areas where farmers have an incentive to take greater care of the land and to invest their capital and resources in it.
- (b) Reduction in land disputes: knowing the owners of the lands, knowing boundaries of the individual or community land through registration, titling and adjudication not only lead to greater productivity but also reduce the money wasted on litigation and going to court.
- (c) Stimulation of the land market: the introduction of a cheap, secure and effective system for recording and transferring interests in land should improve the operation and efficiency of the land market.
- (d) Security for credit: the land title can be used as security against any loan. To raise long-term credit can give rise to substantial increase in productivity from the land.
- (e) Facilitation of land reform: land redistribution and land consolidation can be expedited through the ready availability of information on who currently owns what rights in what land.
- (f) Facilitation of land management: the development of a cadastral system and in particular, the creation of cadastral maps in a systematic manner will benefit the State in the administration of its own land, often giving rise to improved revenue collection from the land which it leases. In addition, knowing land owners will facilitate land transaction, taxation and the public acquisition of land through compulsory purchase prior to redevelopment.
- (g) Improvements in physical planning. The cadastral system may be used to support physical planning in both the urban and rural sectors. Better land administration should lead to greater efficiency in local government. Many development programs have failed or been unnecessarily expensive through a lack of knowledge of existing land rights.
- (h) Supporting environmental management: Cadastral records, in their multipurpose form, can be used as a tool in assessing the impact of development, in helping in the preparation of environmental impact assessments and in monitoring environmental change.

Source: National Land Centre – Office of the Registrar of Land Titles – Profile
www.minirena.gov.rw/IMG/pdf/NLC_profile.pdf

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

Rwanda has simple regulation, yet still has the slowest process for registering property and mortgages in the sample. Once it has been verified that the owner has a valid title and that the property is free from encumbrances, the sale agreement can be drafted and authenticated. With these documents and payment receipts in hand, along with a certificate of good standing from the tax authority, it is then possible to go to the registrar and register the transfer. But here's where the problem lies: there is only one registrar, and issuing a new title and registering the mortgage charge attached to it takes from 6 months to a full year.

Source – *Financing Homes 2008*, World Bank and International Housing Finance Corporation

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

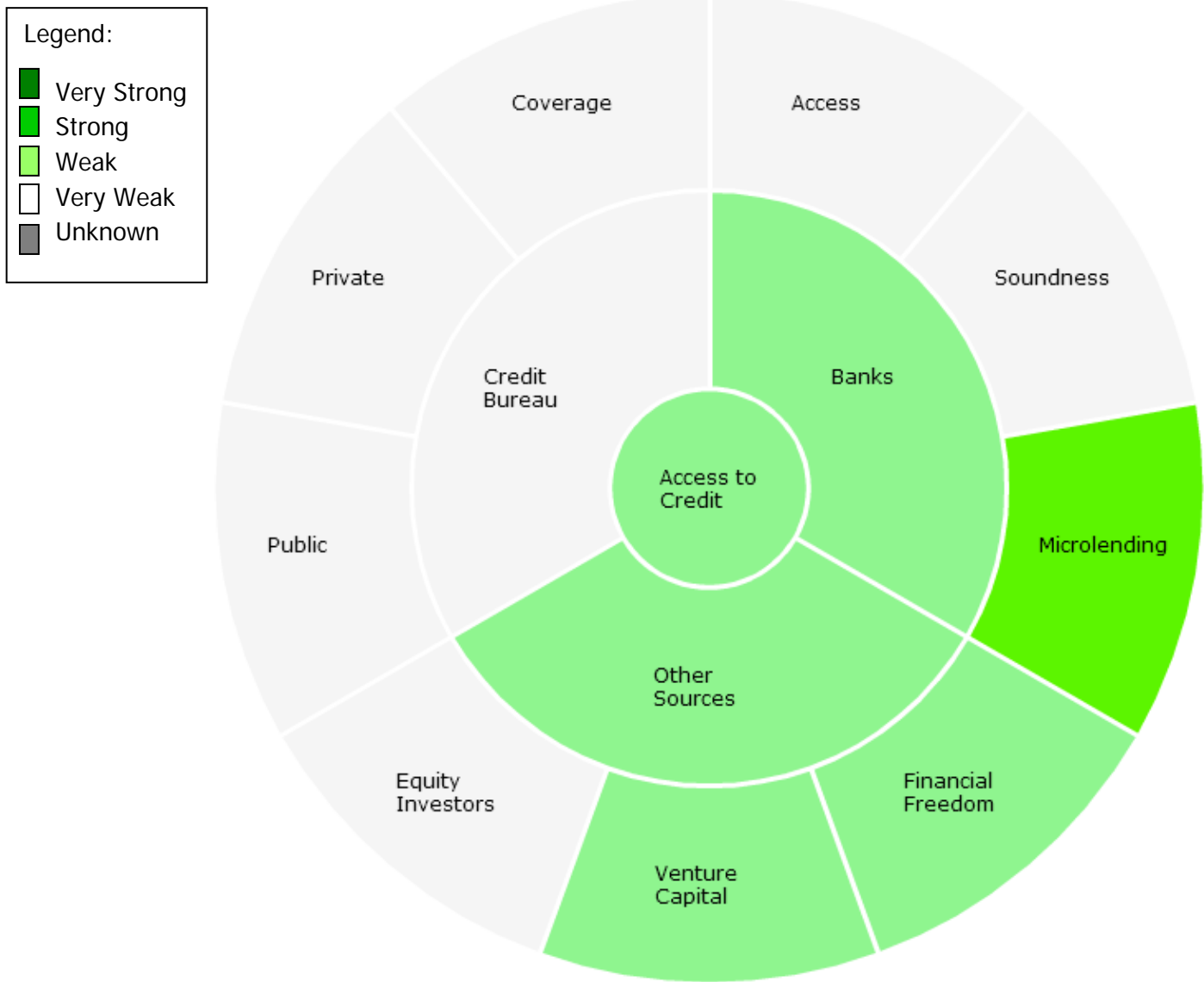
According to Rwandan custom, land ownership is the prerogative of men, and land rights are inherited from father to son. Girls were therefore excluded from the inheritance of family land. This system prevented a woman from land ownership, even as a widow where she was entitled only to the right over family land while waiting for her sons to come of age. If her husband died before she had borne him any children, a woman could not claim any of her husband's land unless she married one of his brothers. Even in such a case, it was the new husband who became the owner of that land. And if this second marriage did not take place, the widow returned to her parents.

The new inheritance law published in the Official Gazette No. 22 of 15th November 1999 Article 50 states that "all legitimate children under the civil law shall inherit equally without any discrimination between male children and female children". The land law should take into account this clause with regard to land inheritance. However issues remain with unregistered marriages.

The new Land Policy does state that women, married or not, should not be excluded from the process of land access, land acquisition and land control, and female descendants should not be excluded from the process of family land inheritance.

Source: *National Land Policy*, Ministry of Natural Resources

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 – Weak, Central Bank’s supervisory capacity has been strengthened and working toward Basel compliance.**

Access

2.1.1 How easy is it to obtain a bank loan? **Very Weak – 17% of businesses report they can get bank financing for investment purposes.**

Source: *The Africa Competitiveness Report 2007*, World Economic Forum
www.weforum.org/pdf/gcr/africa/investment/rwanda.pdf

Soundness

2.1.2 How sound are the country's banks? **Very Weak – A Financial Sector Development Program is underway.**

Source: *Financial Sector Development Program – The Case of Rwanda*, National Bank of Rwanda
www.imf.org/external/np/seminars/eng/2008/afrfin/pdf/rusagara.pdf

2.1.3 Microlending

Status – Strong

2.1.3.1 Microfinance allows citizens without traditional creditworthiness to build a credit history. How many microfinance institutions are operating in the country? **6**

Amasezerano Community Banking

COOPEDU-Kigali

Duterimbere

Rwanda Microfinance Limited

www.rml.co.rw

Union des COOPECs Umutangwa

Urwego Opportunity Bank

www.uomb.org

2.1.3.2 What is the number of active borrowers per institution?

Amasezerano Community Banking – 997

COOPEDU-Kigali – 2,167

Duterimbere – 9,134

Rwanda Microfinance Limited – 1,522

Union des COOPECs Umutangwa – 1,034

Urwego Opportunity Bank – 35,349

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 – Weak, regulation of non-bank financial institutions has just begun.
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Financial Freedom

2.2.1 How much control does the government exert over financial services? **Weak for entrepreneurs – Score 40 out of 100 – Strong government control**

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

Venture Capital

2.2.2 How easy is it for entrepreneurs to find venture capital?
Weak – First U.S. based fund started in 2006

Source: Thousand Hills Venture Fund - www.thvf.com/

Equity Investors

2.2.3 How easy is it to raise money by issuing shares on the stock market? **Very Weak – Exchange just opened on January 31, 2008**

Source: Rwanda Development Gateway
www.rwandagateway.org/IMG/pdf/Gearing_towards_the_Rwanda_Stock_Exchange.pdf

2.3 Credit Bureau

Core Question:	Is comprehensive credit information available through public and private credit bureaus? No – Very Weak
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Overall Ranking 145th out of 181

Coverage

2.3.1 What is the depth of information available in credit bureaus? **Weak – Score – 2 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? **Very Weak – 0.3%**

Private

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

Doing Business – Getting Credit, World Bank

www.doingbusiness.org/ExploreEconomies/?economyid=160

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?

More banks are starting to offer real estate mortgages although the current portfolios outside of the Housing Bank are only 10-20% of their loans.

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

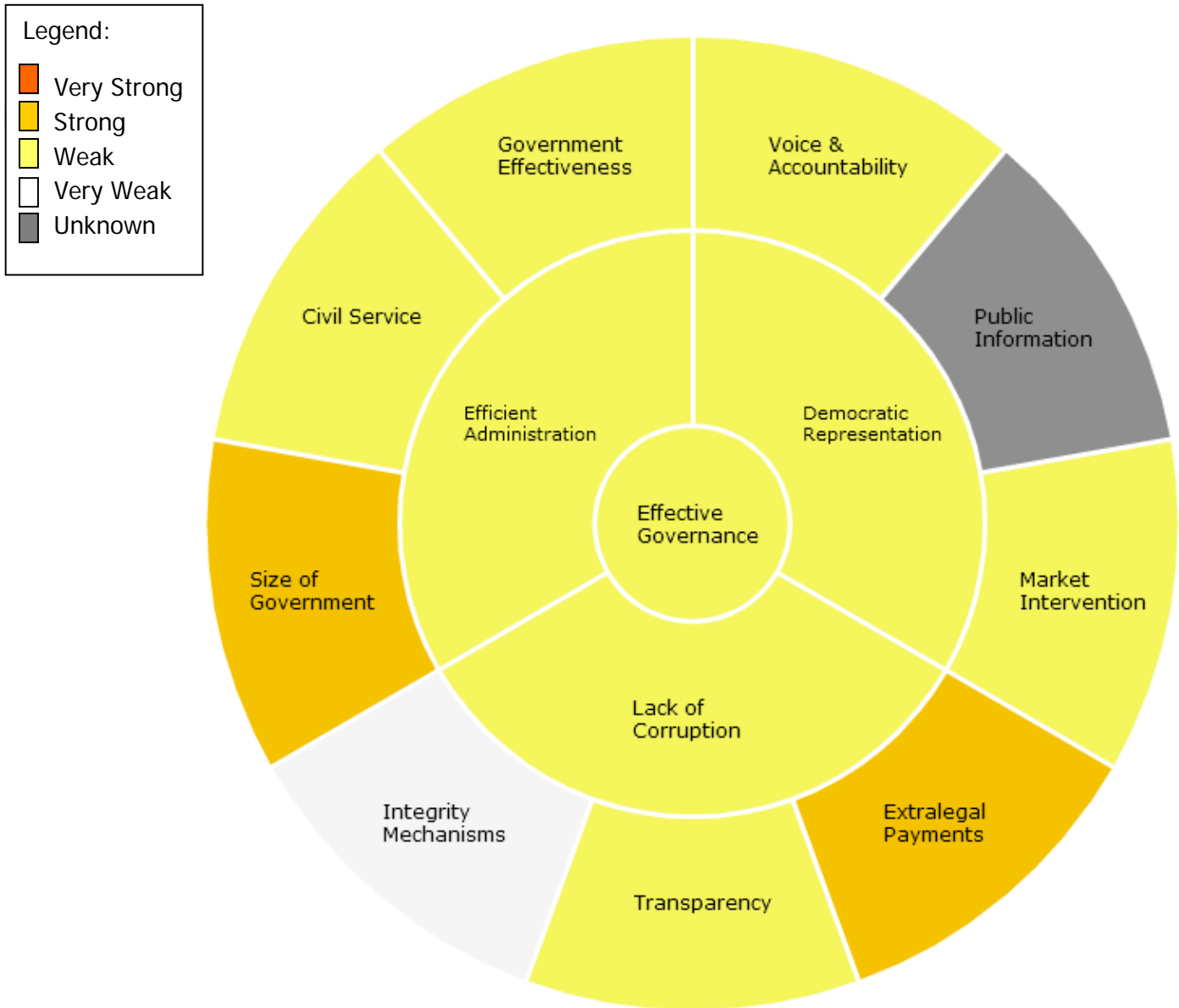
The financing available in the marketplace it is very expensive in the 15-16% range with an occasional 13% rate amortized over 7 years. The Housing Bank charges 14% for the average individual with 15 years to replay and a 30 down payment but just 7% for civil servants who are allowed up to 20 years to amortize the loan.

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

Due to the large numbers of men killed in the conflict and the new constitution, women hold a majority of the seats in parliament, a third of households are headed by women, 55% of the work forced is women and 40% of the businesses are owned by women.

Source: IRPF Assessment May 2007

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? No – Weak, stringent limits are still placed on political parties and the media.
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Voice & Accountability

3.1.1 Are citizens able to elect their government and do they enjoy freedom of expression, association and a free media? **No – Very Weak – Percentile Rank – 13 Trend =**

Source: *Governance Matters 2008*, World Bank
http://info.worldbank.org/governance/wgi/sc_chart.asp

3.1.2 Are citizens free to form political and civic organizations free of state interference and surveillance? **No – Weak – Score 5.29 out of 10**

Overall Ranking – 121st out of 167

Source: *The Economist* Intelligence Unit Democracy Index
<http://a330.g.akamai.net/7/330/25828/20081021185552/graphics.eiu.com/PDF/Democracy%20Index%202008.pdf>

Public Information

3.1.3 Are there regulations governing conflicts of interest in the executive and legislative branches of government? **Unknown – target country for Global Integrity in 2009**

3.1.4 Can citizens access legislative processes and documents? **Unknown – target country for Global Integrity in 2009**

Market Intervention

Overall Ranking – Weak 124th out of 179 Trend =

3.1.5 To what extent does the government intervene in the private sector including state owned industries? **Score 76.8 out of 100 with a higher score indicating less intervention**

3.1.6 To what extent does the government control prices? **Score 70.8 out of 100 with a higher score indicating less control**

Source: *2009 Index of Economic Freedom* – Heritage Foundation
www.heritage.org/index/Country/Rwanda

3.2 Lack of Corruption

Core Question:	Is the public sector transparent and free of corruption? No – Weak Experts regard corruption among public officials as problematic.
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Transparency

3.2.1 What is the perceived level of corruption in the country? **Weak – Ranking – 102nd out of 180; Score 3.0 out of 10 Trend ↑**

Source: Transparency International
www.transparency.org/policy_research/surveys_indices/cpi/2008

Integrity Mechanisms

3.2.3 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
www.transparency.org/policy_research/nis/nis_reports_by_country

Extralegal Payments

Survey Question

SQ 11 How often do companies report that officials and/or companies expect additional payments to “expedite” services or gain business? **Only 20% of firms make unofficial payments compared to 48% the average for Africa – Strong**

Source: *Enterprise Surveys*, World Bank, 2006
www.enterprisesurveys.org/documents/EnterpriseSurveys/Reports/Rwanda-2006.pdf

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 – Weak, but significant improvements
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Size of Government

3.3.1 What is the size of government relative to GDP? **27.8% - 25 to 30% considered optimum – Strong**

Source: *2009 Index of Economic Freedom*, Heritage Foundation
www.heritage.org/index/Country/Rwanda

Civil Service

3.3.2 What is the quality of the civil service? **Weak – 2009-2012 Action Plan for improvements in place**

Source: Ministry of Public Service & Labour www.mifotra.gov.rw/lang/en/index.php

Government Effectiveness

3.3.3 What is the overall effectiveness of the government? **Weak - Percentile Ranking – 48.3 Trend ↑ with significant improvements – 2003 Percentile 18.5**

Source: *Governance Matters 2008*, World Bank
http://info.worldbank.org/governance/wgi/sc_chart.asp

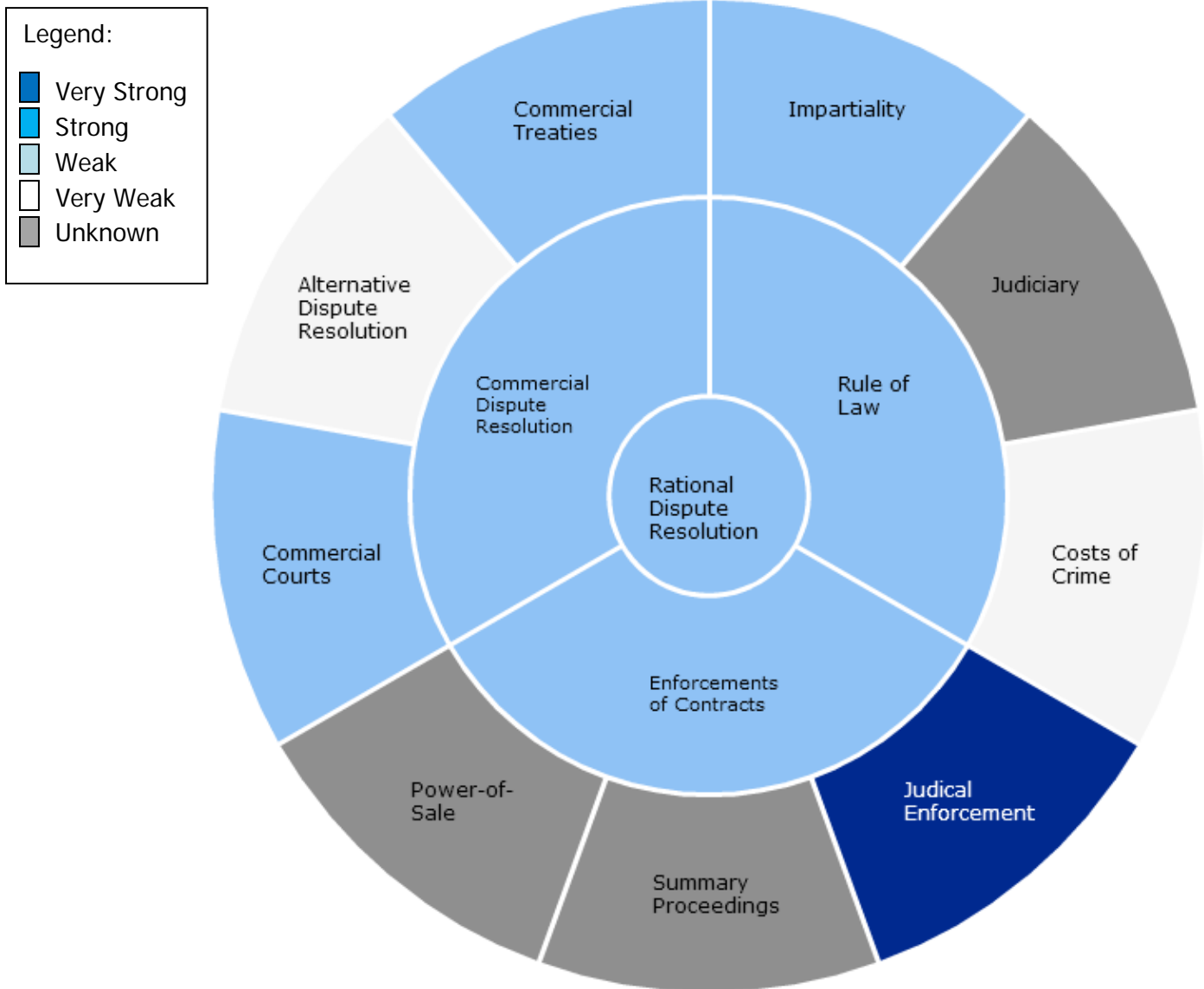
In-Country Assessment Information

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

The government of Rwanda is making concerted efforts to modernize and streamline land policy and is developing laws, rules and regulations for expropriated land as well as currently writing a law for real estate valuation and a human settlement law. There is no legislation pending that might provide both legitimacy to real estate brokerage but also establish a basic rule of representation and setting forth of obligations of a broker to the consuming public.

Source: IRPF Assessment May 2007

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 – Weak, judiciary is government-influenced and suffers from inefficiency, a lack of resources and corruption.
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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? **Weak – Percentile Ranking – 38.3 Trend ↑**

Source: *Governance Matters 2008*, World Bank
http://info.worldbank.org/governance/wgi/sc_chart.asp

Judiciary

4.1.2 Can members of the judiciary be held accountable for their actions? **Unknown – target country for Global Integrity 2009**

Costs of Crime

4.1.3 What are the business costs of crime and violence? **7.1% of sales – Very Weak**

Source: *Africa Competitiveness Report 2009*, World Economic Forum
www.weforum.org/documents/AFCR09/index.html

4.2 Enforcement of Contracts

Core Question:	Are systems in place for timely and efficient enforcement of contracts? Commercial – Yes – Very Strong Residential – Unknown
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4.2.1 – Judicial Enforcement

Commercial – Very Strong – Ranking 40th out of 181

4.2.1.1 What is the number of procedures involved in resolving a commercial dispute?
24

4.2.1.2 What is the time between the filing of a lawsuit and resolution in judicial enforcements? **260 days**

4.2.1.3 What is the cost of judicial enforcements as a percentage of debt value? **78.7%**

Source: *Doing Business* – www.doingbusiness.org/ExploreEconomies/?economyid=160

Residential – Unknown

Survey Questions

SQ 12 What is the time between notice of intent to foreclose and loan collection in judicial enforcements? **Unknown**

SQ 13 What is the cost of judicial enforcements as a percentage of property value? **Unknown**

4.2.2 – Summary Proceedings

SQ 14 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 15 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 16 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 17 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 – Weak, commercial courts not yet an effective means for enforcing contracts.
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Survey Questions

Commercial Courts

SQ 18 Do specialized commercial courts exist for the handling of property disputes and foreclosures? **Yes – Weak, became operational May 15, 2008**

Source: *Enforcing Contracts – Case Study: Rwanda*, World Bank
www.doingbusiness.org/documents/CaseStudies/Rwanda_CS2008.pdf

Alternative Dispute Resolution

SQ 19 Are alternative dispute resolution mechanisms in place including commercial arbitration, private mediation and community based processes? **Very Weak – Arbitration bill before parliament**

Commercial Treaties

SQ 20 What bilateral, regional and international commercial treaties exist concerning business between countries? **Weak – treaties signed with Belgium/Luxembourg, Switzerland, Germany and Mauritius**

Source: Rwanda Development Board, www.rwandainvest.com/

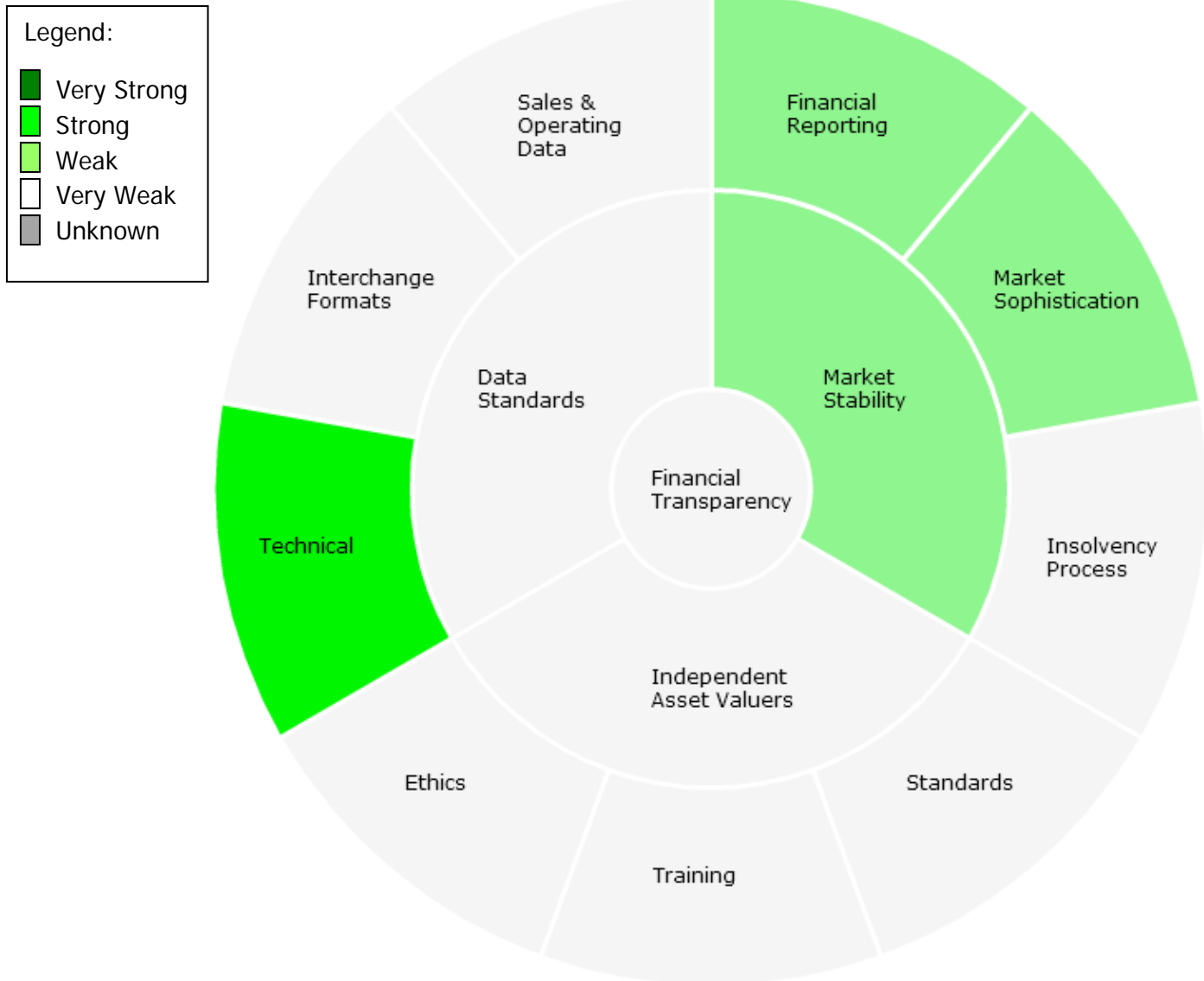
In-Country Assessment

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

There is a notary public and legitimate brokers indicated a reasonable confidence in the court systems. When quizzed, brokers indicated that they believed that the courts would enforce their listing and sales agreement. There seemed to be no hesitancy to look to the courts for resolution.

Source: IRPF Assessment May 2007

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 – Weak – Comprehensive and integrated reforms underway.
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Financial Reporting

5.1.1 What is the strength of the country's auditing and reporting standards? **Weak – Rwanda is making considerable efforts to align its accounting and auditing practices with international standards.**

Source: *Report on Observance of Standards and Codes*, World Bank
www.worldbank.org/ifa/RWANDA--ROSC--AA.pdf

Civil Society Resource: Institute of Public Certified Accountant of Rwanda

Market Sophistication

5.1.2 What is the overall level of financial market sophistication in the country? **Weak – A Capital Market Advisory Council is in place to prepare the legal, regulatory and institutional framework for a securities exchange.**

Source: *Financial Sector Development Program – The Case of Rwanda*, National Bank of Rwanda
www.imf.org/external/np/seminars/eng/2008/afrfin/pdf/rusagara.pdf

Insolvency Process

Very Weak – Ranking – 181st out of 181

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? **No practice**

Source: *Doing Business – Closing a Business*
www.doingbusiness.org/ExploreEconomies/?economyid=160

5.2 Independent Asset Valuers

Core Question:	Do trained, independent and ethical asset valuers exist for all types of assets? No – Very Weak, virtually no private, independent valuers in practice
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Survey Questions

Standards

SQ 21 How easy is it to find a valuer who implements International Valuation Standards? **Very Weak – valuers do not meet International Standards**

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

Training

SQ 22 What is the level of training of valuers? **Very Weak – limited to cost approach by architects and engineers**

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

Ethics

SQ 23 Are opinions offered by valuers free of influence from parties to the transaction? **Very Weak – valuation of expropriated property remains non-transparent and controversial.**

Source: *2009 Investment Climate Statement*, U.S. Dept of State
www.state.gov/e/eeb/rls/othr/ics/2009/117161.htm

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, Rwanda Information Technology Authority recently developed to improve IT infrastructure.
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Survey Questions

Sales & Operating Data

SQ 24 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**

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

SQ 25 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 26 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 27 Do building codes and office building measurement standards (ANSI/BOMA Z65.1) conform to international standards? **Yes – Strong, codes based on British Standards.**

Source: *Rwanda Building Control Regulation*, Ministry of Infrastructure

http://mininfra.gov.rw/index.php?option=com_docman&task=cat_view&gid=102&Itemid=319

In-Country Assessment

Market Stability

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

Since 2002, the GDP growth rate has ranged from 3%-9% per annum, and inflation had ranged between 2%-9%. Private investment remains below expectations despite an open trade policy, a favorable investment climate, cheap and abundant labor, tax incentives to businesses, stable internal security, and crime rates that are comparatively low. Investment insurance also is available through the Africa Trade Insurance Agency or the Overseas Private Investment Corporation. The weakness of exports as well as low domestic savings rates are threats to future growth. The global economic crisis has impacted Rwanda with a further pull back of FDI.

Valuation Profession

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

Between 100-120 valuers are in the marketplace. Most of them are architects or civil engineers and 60-65 individuals are registered with the Central Bank either as individuals or as part of companies registered with that Bank.

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

There are virtually no full-time, private appraisers practicing in a company. In addition to those working for the Central Bank, some of the multi-purpose engineering, architectural firms had between 2-4 appraisers and many of them had one or two part-time.

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

Draft law establishing the Real Property Valuation Board and Regulating the Real Property Valuation Profession in Rwanda passed Cabinet in May 2009

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

The primary methodology is replacement value analysis. As the bulk of the appraisers are either architects or civil engineers, they rely on analyzing the cost to replace the present facility and then depreciate it based on age, materials and general overall condition.

FQ 14. Are there valuer associations in the market? What number and percentage of practitioners belong? No

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

None outside the university engineering and construction curriculum

FQ 16. Are peer review mechanisms in place to assist in enforcing ethical behavior? No

FQ 17. What is the quality of valuation reports?

Valuation reports are limited to the cost approach and contain no information on the market or income approaches.

Data Availability

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

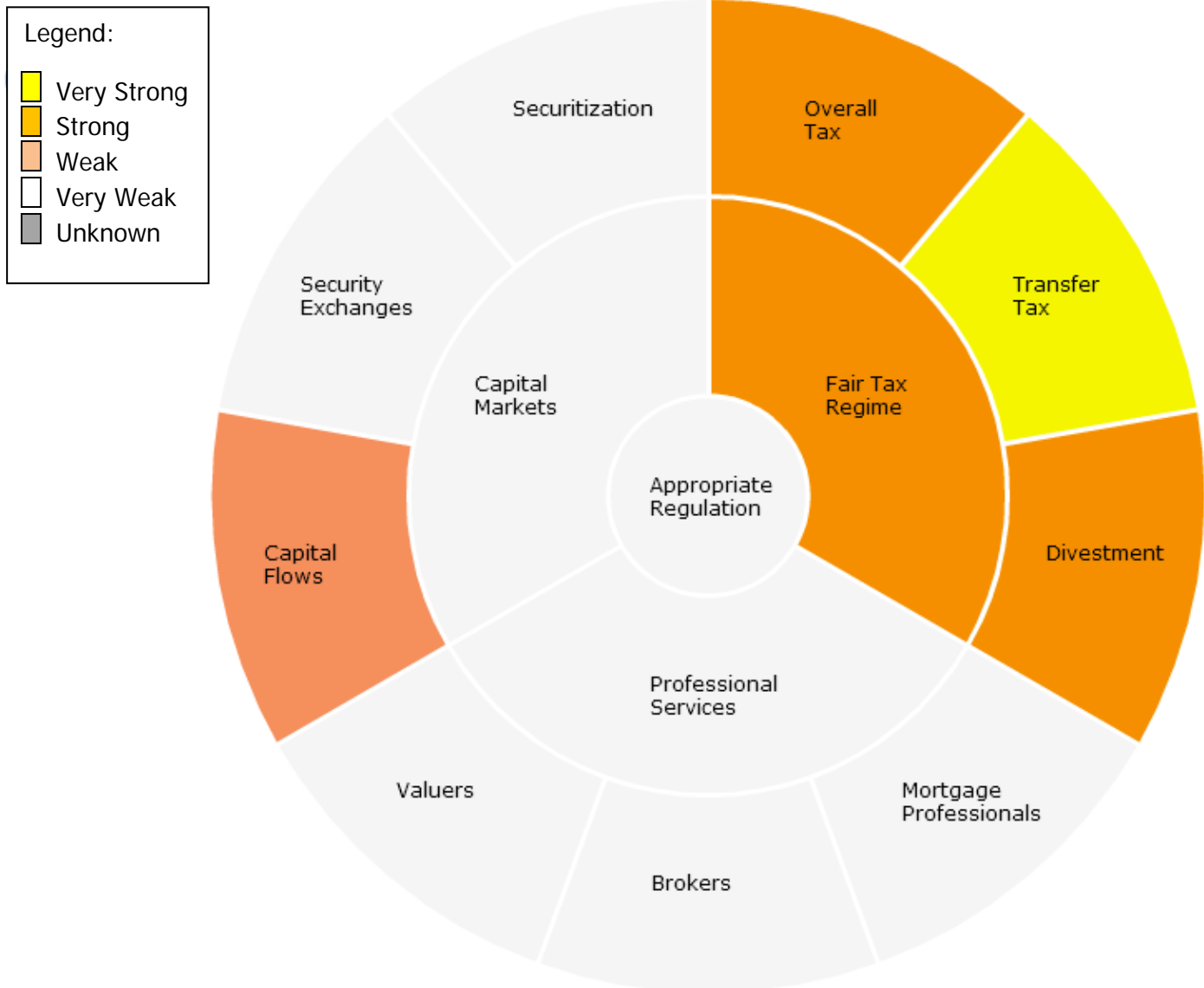
Limited to data from construction projects

FQ 19. What is the status of existing data sharing mechanisms for properties that are for sale? None

FQ 20. Do valuers have an established data sharing mechanisms? No

Source: IRPF Assessments May 2007

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? Yes – Strong, personal and corporate income taxes are moderate.
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Transfer Tax

6.1.1 What is the total property transfer tax including all duties and payments? **Very Strong - The 6% registration fee at the Rwanda Revenue Authority was abolished in January 2008 and replaced by a flat rate of RWF 20,000 paid for all transactions, regardless of the price of the property.**

Overall Tax

6.1.2 What is the overall tax rate on entrepreneurs? **33.7% – Ranking – 56th out of 181 Strong**

Source: *Doing Business* – Paying Taxes & Registering Property, World Bank
www.doingbusiness.org/ExploreEconomies/?economyid=160

Divestment

Survey Question

SQ 28 What is the tax on profits for foreign investors when divesting property? **30% as corporate income tax, reduced from 35% - Strong**

Source: Rwanda Revenue Authority www.rra.gov.rw/IMG/pdf/Domestic_Tax_rates.pdf

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, government committed to financial sector development.
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Asset Valuers

Survey Questions

SQ 29 Are property valuers licensed and/or certified by the government? **No – Very Weak – draft law passed Cabinet in May 2009.**

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

SQ 30 How effective are mechanisms in place to discipline valuers who engage in misconduct? **None in place – Very Weak**

See pages 25-26 for in-country assessment information regarding valuers.

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

Brokers & Agents

Survey Questions

SQ 31 Are real estate brokers and agents licensed and/or certified by the government? **No – Very Weak**

SQ 32 How effective are mechanisms in place to discipline brokers or agents who engage in misconduct? **None in place – Very Weak**

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

Mortgage Professionals

Survey Questions

SQ 33 Are mortgage professionals licensed and/or certified by the government? **No – only 4 out of 8 commercial banks offer mortgages.**

SQ 34 How effective are mechanisms in place to discipline mortgage professionals who engage in misconduct? **None in place – Very Weak**

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 – Capital Markets Advisory Council established June 2007
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Capital Flows

6.3.1 How restricted is the flow of capital into and out of the country? **Significant restrictions – Weak – Score 40 out of 100**

Security Exchanges

6.3.2 Is the regulation of securities exchanges transparent, effective and free of influence from government and industry? **No – Very Weak, Over-the-Counter market**

Source: *2009 Index of Economic Freedom*, Heritage Foundation
www.heritage.org/index/Country/Rwanda

Securitization

6.3.3 What is the depth of asset-backed securities, mortgage-backed securities, high-yield bonds and highly leveraged loans? **Very Weak – primary market developing**

In-Country Assessment

Taxation

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

Property transfers are taxed at a flat rate.

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?

Estimates go up to a maximum of 2,000 individuals practicing many as “scouts” or “hustlers” who will seek an apartment rental or a building for sale on the street. They have no offices but only have a cell phone and carry no business cards.

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

There are estimated to be 5 or 6 legitimate companies in Kigali. Most of these companies are relatively new and small with the most sophisticated company having 7 individuals and one company having 40 agents. They do not only brokerage but also small scale development and some rehabilitation. There doesn't seem to be a strong enough market as yet either in western level rentals (up to \$2,000 per month) or new sales to sustain the industry. The secondary market is very thin as few put their properties on the market and fewer agents act as a catalyst to create that market.

FQ 24. Are there brokers associations active in the market? What number and what percentage of practitioners belong? No

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

FQ 26. Is there a Code of Ethics or standards that practitioners follow? Is the Code enforced? No

FQ 27. Do civil society organizations exist to support the development of mortgage professionals? No – market not yet developed

Source: IRPF Assessment May 2007

Appendix – Procedures for Registering a Property

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

1. Request a certificate from the Land Registry (“Service des Domaines”) confirming the identity of the property owner and the title status

Time to complete: 30 days Cost to complete: RWF 3,200

Comment:

The buyer should perform due diligence before entering into a sale agreement with the owner of the property by making sure that the Deed of Property that the seller shows before the transaction is authentic and is up to date. The verification will provide all useful information regarding the property and its history since its registration with the Land Registry. The party will also be able to know whether the property is encumbered with mortgages or liens. The time to accomplish this formality, which is not required by law but which is always done in practice, varies but is sometimes very slow. It is not rare to get an answer only after one month of presenting the request.

2. A notary from the Ministry of Justice authenticates the sale agreement

Time to complete: 3-7 days

Cost to complete:

RWF 10,000 (copies of sale agreement) + RWF 7,300 (notary services)

Comment:

The law requires that the sale agreement be authenticated by a notary based at the Ministry of Justice. It is the practice that parties ask the notary to draft the sale agreement himself. The parties sign the agreement in presence of two to four witnesses and in presence of the public notary. The Contract is made in 6 copies, one of which is kept with the notary and two others given to each the buyer and the seller.

The notarization of the first page of the document costs RWF 1,800. The notarization of each other page costs RWF 600. The typical sale contract length is of 3 pages plus another 3 pages for the notarized act. The cost of this procedure will not exceed RWF 10,000.

3. Check for the tax clearances with the Rwanda Revenue Authority

Time to complete: 10 days

Cost to complete:

20,000 RWF (Flat fee) registration tax + RWF 4,500 (fixed costs)

Comment:

The 6% of registration fees at the Rwanda Revenue Authority was abolished in January 2008 and replaced by a flat rate of RWF 20,000 paid for all transactions, regardless of the price of the property

4. Finalize registration at the Registrar of Real Estate (Conservateur du Titre Foncier) and obtain new deed

Time to complete: 180-360 days Cost to complete: RWF 6,500

Comment:

The seller takes the authenticated sale agreement, the registration receipt and the certificate of good fiscal standing to the Registrar of Real Estate and files a request of transfer of property. This procedure is the most lengthy. For the transfer of property to be effective, the Registrar has the sale agreement signed by the both parties and two witnesses from the Service des Domaines in front of the Conservateur des Titres, who will authenticate the sale agreement. A new property title is prepared and signed by the Registrar, who will void the old title at the same moment. A reform of the land registry took place in September 2005, in which decentralization of the land registry offices took place so that the procedures are done at the local district land registry where the property is located.

The fixed costs are broken down as follows:

Fees on the sale agreement: RWF 1,500

Fees on the notarized act: RWF 1,500

Fees on the notarized copies of the act: RWF 500

Cancellation of the old registration certificate: RWF 1,000

Fees to establish a new registration certificate: RWF 2,000