

International Property Markets Scorecard

Colombia Market Conditions – Desktop Survey July 2013



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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 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.

Bruce Sinclair contributed greatly to the research results for this Scorecard as a part of the Master of Professional Studies, Real Estate at the Georgetown School of Continuing Studies. Yuanqi Wang, a master student, majoring in Real Estate, at Johns Hopkins University, updated this Scorecard as a summer internship at CIPE.

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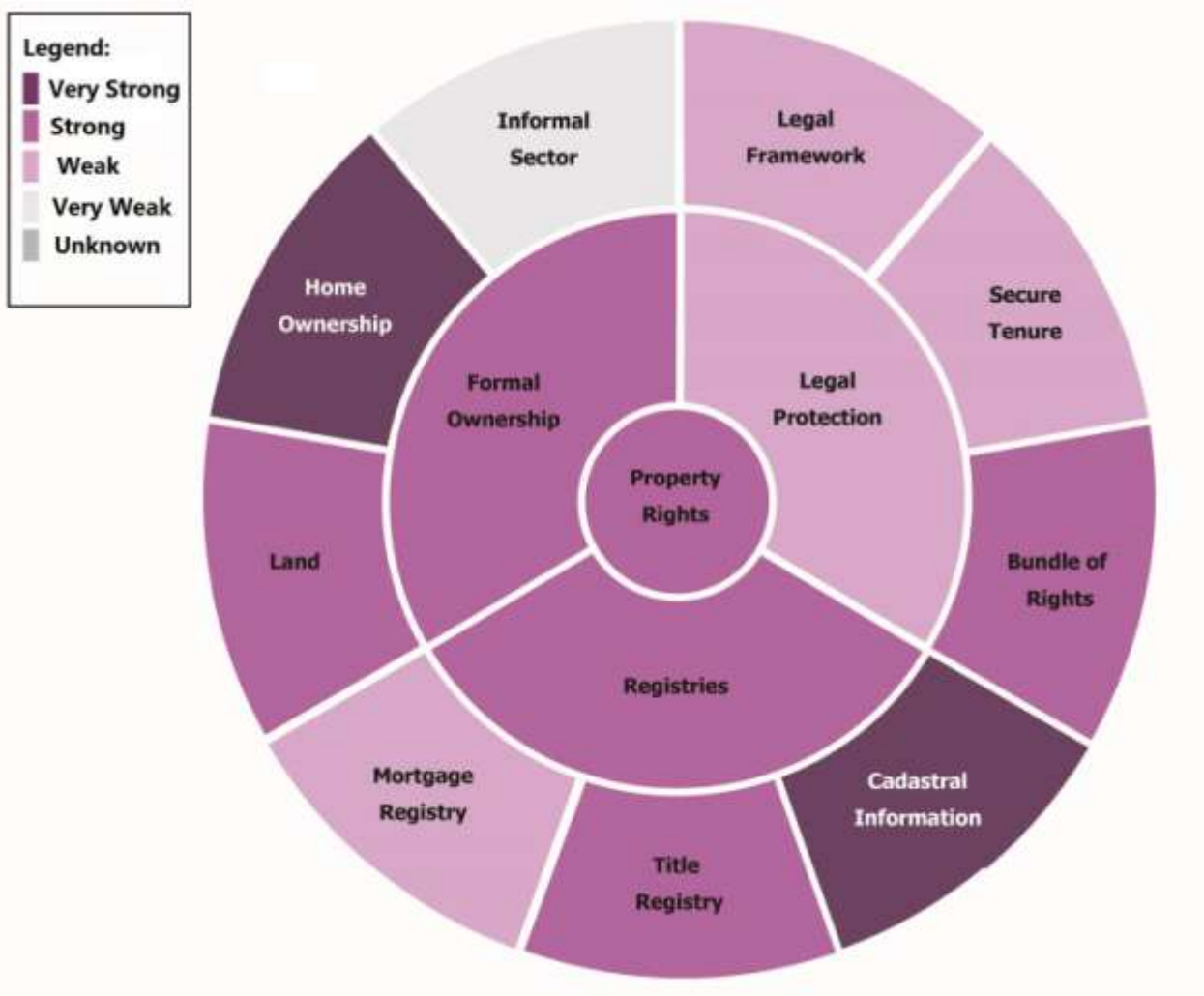


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1. Property Rights - Strong



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 – While there is a framework in the Constitution to protect the right of private property, scoring in multiple areas is weak. Government expropriation powers, while restricted, are somewhat ill defined.
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Legal Framework

1.1.1 Are property rights clearly defined and protected by law? **No – Weak – Ranking 96th of 144 countries; Score of 3.80 – Trend↓**

Security of Tenure

1.1.2 Can citizens challenge the legality of government takings? **No – Weak – Ranking 89rd of 144 countries; Score of 3.32 – Trend ↓**

Source: *Global Competitiveness Index 2012-2013* – World Economic Forum
<http://www.weforum.org/issues/competitiveness-0/gci2012-data-platform/>

Bundle of Rights

1.1.3

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?

Strong – Article 58. Private property and the other rights acquired in accordance with civil laws may not be ignored or infringed upon by subsequent laws.

Legislative Decree 1 (1999) amended the national constitution prohibiting extrajudicial expropriation of private property. It also calls for payment to the private landholder prior to expropriation.

Sources: Constitution of Colombia (1991), Article 58.
http://confinder.richmond.edu/admin/docs/colombia_const2.pdf
http://usaidlandtenure.net/sites/default/files/USAID_Land_Tenure_Colombia_Program_Brief_0.pdf

1.2 Registries

Core Question: Does a reliable property registry exist including cadastral, title and mortgage lien information? **Yes – Strong, cadastral registry is currently available, the title registry doesn't take a long time and cost much, while this country has a high level of notary involvement which add costs to the transaction.**

1.2.1 Cadastral Information

Very Strong. Cadastral Information in Colombia is maintained by the IGAC, a division of the National Administrative Department of Statistics. Additionally four separate cadastres exist; the Cadastre of Bogota, Cadastre of the Department of Antioquia, Cadastre of Santiago de Cali and Cadastre of Medellin.

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

Sources: IGAC www.igac.gov.co/wps/portal/english/Inicio/Home

Lincoln Institute of Land Policy, http://www.lincolninst.edu/pubs/884_The-Bogot%C3%A1-Cadastre

International Comparative Legal Guides, <http://www.iclg.co.uk/practice-areas/real-estate/real-estate-2013/colombia>

IGAC MAPAS DE COLOMBIA, <http://mapascolombia.igac.gov.co/wps/portal/mapasdecolombia/>

1.2.2 Title Registry

Strong – Current Year Rank 52nd Previous Year Rank 53rd Trend ↑

- 1.2.2.1 What is the number of procedures required to register the transfer of a property from one owner to another? **7**

- 1.2.2.2 What is the duration of time in calendar days that it would take to complete the transfer? **15**
- 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? **2%**

Source – *Doing Business* 2013– Registering Property, World Bank
www.doingbusiness.org/data/exploreeconomies/colombia

1.2.3 Mortgage Registry

Status – Weak – Colombia has a high level of notary involvement. Title insurance is not available to lenders.

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? **Yes**
- 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: The Superintendency of Notary and Registry,
www.supernotariado.gov.co/supernotariado/index.php?option=com_content&view=article&id=4673%3Aenglish-version-&catid=48%3Anaturalkesza-juridica&Itemid=64&lang=es

Issues in ownership of Real Estate in Colombia,
<http://lexmundi.com/images/lexmundi/PracticeGroups/RealEstate/Survey2/Colombia.pdf>

Latin Lawyer Reference Real Estate,
<http://latinlawyer.com/reference/topics/67/jurisdictions/8/colombia/>

1.3 Formal Ownership

Core Question:	Do citizens understand and trust property rights institutions and avoid the informal sector? Yes – Strong – although informal economy predominate in the country, private property rights are protected in both the Constitution and by Legislative Decree and formal home ownership keeps in a high level.
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1.3.1 Land

SQ 8 What is the status of land ownership? **Strong – Public access to cadastre information is available through IGAC and private land is registered through the Superintendency of Notary and Registry.**

Sources: U.S. AID,
http://usaidlandtenure.net/sites/default/files/USAID_Land_Tenure_Colombia_Program_Brief_0.pdf

Ministry of Justice_The Superintendency of Notary and Registry,
www.supernotariado.gov.co/supernotariado/index.php?option=com_content&view=article&id=4673%3Aenglish-version-&catid=48%3Anaturalkesza-juridica&Itemid=64&lang=es

1.3.2 Home Ownership

SQ 9 What is the percentage of formal home ownership? **Very Strong – formal home ownership is at 82.1%.**

Sources: UN Habitat Website <http://www.unhabitat.org/stats/Default.aspx>
Ministry of housing city and territory, Colombia
<http://www.minvivienda.gov.co/SitePages/Ministerio%20de%20Vivienda.aspx>

1.3.3 Informal Sector

What is the percentage of services firms that report competing with unregistered or informal firms? **70.9% - Very Weak Formal Sector (2010)**

Source: Enterprise Surveys
www.enterprisesurveys.org/Data/ExploreEconomies/2010/colombia#informality

In-Country Assessment Information

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

The land ownership breakdown for the country is as follows: Urban – Private (81%), State (19%); Rural – Private (52%), Indigenous Peoples (23%), State (22%), Afro-Colombian Peoples (3%). Acquiring land through adverse possession is a fairly common practice in Colombia and relatively easy.

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

All transfers of title on real estate as well as all encumbrances must be done by public document. All taxes must be paid in order for a transfer to be legally effective. Any document of transfer or judicial decision pertaining to property must be recorded with the Real Property Registry.

FQ 3 What are the actual conditions for groups who lease property including small businesses, minorities and other marginalized groups?

In Colombia there is a severe housing shortage that plagues the country's most vulnerable populations. Roughly 2.5 million homes are in critical need of upgrade, including those in urban slums, which are often constructed from low-quality and unsafe building materials.

Besides, although the Colombian Congress passed the landmark Law 1448 (Victims' Law) to restore to rightful owners some 17 million acres of land stolen over the past 25 years and also to assist and compensate the relatives of those killed, it remains a challenge to protect the property right of rural farmers, Afro-Colombian and indigenous community groups.

Source: 1 <http://fec.ashoka.org/content/housing-all-colombia-0>

2 State of the World's Minorities and Indigenous Peoples 2012 – Colombia

<http://www.refworld.org/country,COI,MRGI,ANNUALREPORT,COL,,4fedb402c,0.html>

2. Access to Credit - Strong



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? **Yes – Strong – Colombia scores highly on the ease to obtain loans and there are a large number of highly regarded micro-financing options available.**

Access

2.1.1 How easy is it to obtain a bank loan? **Yes, Strong – Ranking 54th out of 144; Score 3.09 out of 7 Trend ↑**

Source: *The Global Competitiveness Report 2012-2013*, World Economic Forum
<http://www.weforum.org/issues/competitiveness-0/gci2012-data-platform/>

Soundness

2.1.2 How sound are the country's banks? **Yes, Strong – Ranking 42nd out of 144; Score 5.65 out of 7, Trend ↓**

Source: *The Global Competitiveness Report, 2012-2013* World Economic Forum
<http://www.weforum.org/issues/competitiveness-0/gci2012-data-platform/>

2.1.3 Microlending

Status – Strong, numerous 3 or 4 diamond rated microfinance institutions operating in the country relative to the population and poverty levels.

2.1.3.1 Microfinance allows citizens without traditional creditworthiness to build a credit history. How many microfinance institutions are operating in the country? **41**

Crezcamos	www.crezcamos.com
Banco Caja Social	www.bancocajasocial.com
Bancamia	www.bancamia.com.co
Banco WWB	www.bancowwb.com
Comultrasan	www.comultrasan.com.co

2.1.3.2 What is the number of active borrowers per institution?

Crezcamos	53,857
Banco Caja Social	625,546
Bancamia	390,017
Banco WWB	231,699
Comultrasan	85,078

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? Yes – Strong – There is limited government control of financial services and venture capital is fairly readily available. It is also easy to raise equity through the stock market.
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Financial Freedom

2.2.1 How much control does the government exert over financial services?

Strong -Score 70 out of 100 – Limited government control Trend↑. Foreign investment receives national treatment, and 100 percent foreign ownership is allowed in most sectors. Private institutions dominate the growing and well-capitalized financial sector.

Source: 2013 *Index of Economic Freedom*, Heritage Foundation
www.heritage.org/index/Country/Colombia

Venture Capital

2.2.2 How easy is it for entrepreneurs to find venture capital?

Strong – 53rd out of 144 Trend↑; Score 2.82 out of 7

Equity Investors

2.2.3 How easy is it to raise money by issuing shares on the stock market?

Strong – 52nd out of 144 Trend↑; Score 3.78 out of 7

Source: *The Global Competitiveness Report 2012-2013*, World Economic Forum
<http://www.weforum.org/issues/competitiveness-0/gci2012-data-platform/>

2.3 Credit Bureau

Core Question:	Is comprehensive credit information available through public and private credit bureaus? Yes – Strong – There is significant access to credit information through private credit bureaus, but no public credit bureau exists.
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Overall Ranking 70th out of 185 in 2013 – Strong Trend ↓

Coverage

2.3.1 What is the depth of information available in credit bureaus? **Very Strong – Score – 5 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% – Very Weak**

Private

2.3.3 What is the extent of private credit registry coverage? **72.5% – Very Strong**

Source: *Doing Business* 2013 – Getting Credit, World Bank
www.doingbusiness.org/data/exploreeconomies/colombia

In-Country Assessment Information

FQ4 **How available are mortgage loans for purchasing commercial property (office, retail, industrial and logistics), who is the typical user and what are the prevailing trends?**

Currently the mortgage loan and is given primarily to Colombian nationals. In most of the cases there is no seller financing. Direct financing for foreigners is not available in Colombia. Some banks evaluate the possibility of a mortgage loan for you as a foreigner if:

- 1- You are married to a Colombian national
- 2- You have been living in Colombia for more than six months
- 3- You plan to buy a primary residence and not as second home
- 4- You already have a local bank account

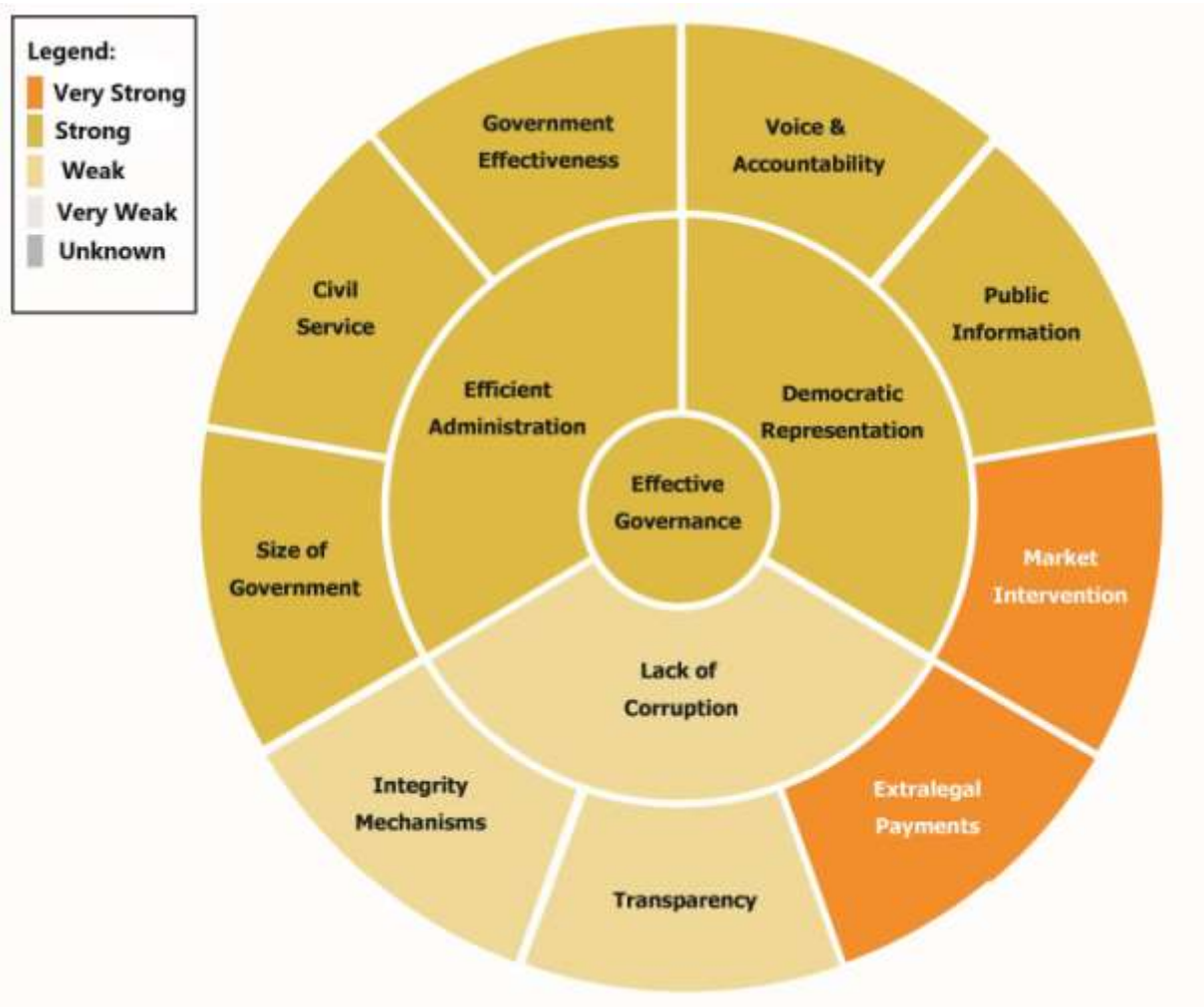
FQ5 **What are the interest rates, term and loan-to-value ratios?**

Currently the mortgage loan rate for real estate in Colombia is between 15-18% annually. This type of loans is short term, usually 5 to 15 years, and is made primarily given to Colombian nationals. The loan-to-value ratio limit is set at 70%.

FQ6 **Are there any informal barriers to borrowing such as for women or minorities?**

Direct financing for foreigners is not available in Colombia.

3. Effective Governance - Strong



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 – Strong – There are issues with citizens’ ability to elect their government and enjoy freedom of expression, association and free media, but the ability to form political and civic organizations is strong along with a very high level of economic freedom. Citizens also have better access to public information than before.
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3.1.1 Voice & Accountability - Strong

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 – 44.6 – Trend ↑**

Source: *Worldwide Governance Indicators, Colombia 2011*, 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? **Yes – Strong – Score 8.82 out of 10 for civil liberties**

Overall Ranking – 57th out of 167

Source: *The Economist Intelligence Unit Democracy Index 2012*
https://www.eiu.com/public/topical_report.aspx?campaignid=DemocracyIndex12

3.1.2 Public Information

Overall Rating – Moderate; Score 80 out of 100 (2011)

3.1.2.1 Are there regulations governing conflicts of interest in the executive and legislative branches of government? **Executive Score 74 out of 100 - Moderate; Legislative Score 90 out of 100 – Strong**

3.1.2.2 Can citizens access legislative processes and documents? – **Score 83 out of 100 – Strong**

Source: *Global Integrity Report 2011*
<http://www.globalintegrity.org/report/Colombia/2011/scorecard>

3.1.3 Market Intervention

Overall Freedom Ranking – Very Strong - 37th out of 177 Trend ↑

- 3.1.3.1 To what extent does the government intervene in the private sector including state owned industries? **Government spending scores 75.2 out of 100 and accounts for 29% of GDP.**
- 3.1.3.2 To what extent does the government control prices? **Score 78.7 out of 100 with a same score indicating same control as last year.**

Source: *2013-Index of Economic Freedom* – Heritage Foundation
www.heritage.org/index/Country/Colombia

3.2 Lack of Corruption

Core Question:	Is the public sector transparent and free of corruption? No, Weak. Although the need to pay elected officials extralegal payments to get things done is minimal, the perceived level of corruption is relatively high and there is still a significant gap between the laws as written and as enforced though across the board.
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Transparency

- 3.2.1 What is the perceived level of corruption in the country? **Weak – Score 36 out of 100, Trend ↑**

Source: 2012 *Corruption Perception Index*, Transparency International
<http://cpi.transparency.org/cpi2012/results/>

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? **Yes – Weak, While almost all pillars are included and defined either through the Constitution or Legislative Decree there is a significant gap between the “letter of the law” and actual enforcement (2001).**

Source: *National Integrity System Assessment*, Transparency International
http://archive.transparency.org/policy_research/nis/nis_reports_by_country

Extralegal Payments

- 3.2.3 How often do companies report that officials and/or companies expect additional payments to “expedite” services or gain business? **2.8% of firms say they are expected to make unofficial payments – significantly lower than both other**

**countries in the region and the overall rate for countries worldwide –
Very Strong**

Source: *Enterprise Surveys*, World Bank

<http://www.enterprisesurveys.org/Data/ExploreEconomies/2010/colombia>

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? Yes – Strong – Overall government is very effective and government spending is not an overly burdensome percentage of GDP. The quality of the civil service is better but there is still space for improvement.
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Size of Government

3.3.1 What is the size of government relative to GDP? **29% - 25-30% considered Strong**

Source: *2013 Index of Economic Freedom*, Heritage Foundation

www.heritage.org/index/Country/Colombia

Civil Service

3.3.2 What is the quality of the civil service? **Moderate – Score 72 out of 100**

Source: *Global Integrity Report Scorecard Colombia 2011-*

<http://www.globalintegrity.org/report/Colombia/2011/scorecard>

Government Effectiveness

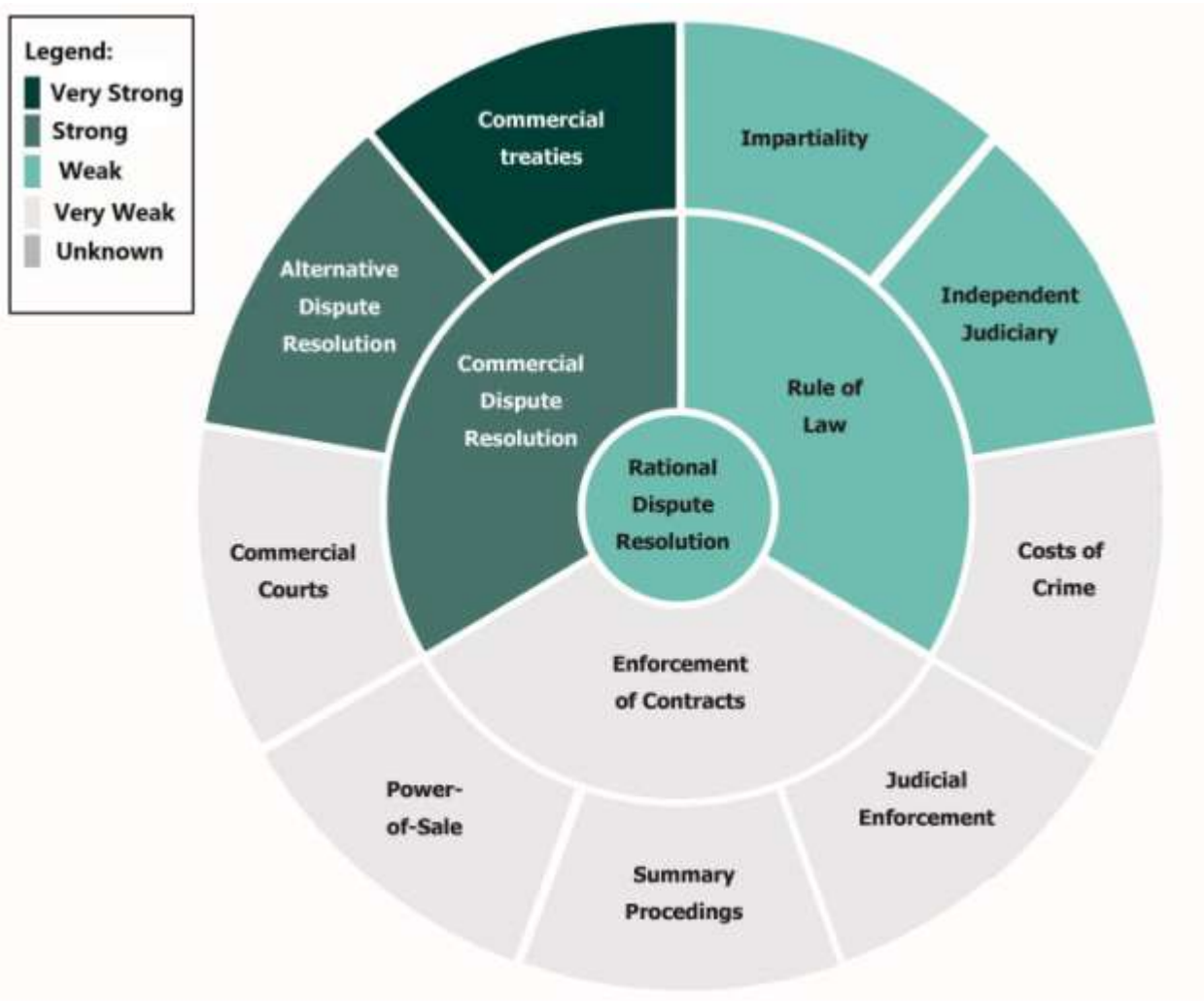
3.3.3 What is the overall effectiveness of the government? **Strong – Percentile Ranking – 62.6, Trend ↑**

Source: *Worldwide Governance Indicators, Colombia 2011*, World Bank

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

In-Country Assessment Information	
FQ7	What is the actual experience of practitioners in dealing with the government?

4. Rational Dispute Resolution –Weak



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 – There are high business costs of crime and violence. Judicial accountability has improved a bit but is still weak. Confidence in impartiality of police, courts and contract enforcement has increased significantly, but is still low.
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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 – 47.9 Trend ↑**

Source: *Worldwide Governance Indicators, Colombia 2011*, 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? **No – Score 61 out of 100 – Weak**

Source: *2011 Global Integrity Report –*
<http://www.globalintegrity.org/report/Colombia/2011/scorecard>

Costs of Crime

4.1.3 What are the business costs of crime and violence? **High Costs – Ranking 136th out of 144 – Score 2.8 out of 7, Very Weak**

Source: *The Global Competitiveness Report 2012-2013*, World Economic Forum
<http://reports.weforum.org/global-competitiveness-report-2012-2013/#>

4.2 Enforcement of Contracts

Core Question:	Are systems in place for timely and efficient enforcement of contracts? No – Very Weak – Enforcement of contracts is ranked very low and judicial enforcements are the primary mechanism in the dispute resolution process.
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4.2.1 – Judicial Enforcement

Commercial – Very Weak – Ranking 154th out of 185 Trend ↓

- 4.2.1.1 What is the number of procedures involved in resolving a commercial dispute? **34**
- 4.2.1.2 What is the time between the filing of a lawsuit and resolution in judicial enforcements? **1,346 days**
- 4.2.1.3 What is the cost of judicial enforcements as a percentage of claim value? **47.9%**

Source: *Doing Business 2013* – www.doingbusiness.org/data/exploreeconomies/colombia

Survey Question 10 **What is the time between notice of intent to foreclose and loan collection in judicial enforcements? - 705 days**

Survey Question 11 **What is the cost of judicial enforcements as a percentage of property value? – 8.59%**

4.2.2 – Summary Proceedings – Very Weak

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? – **Not Available – Very Weak**

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

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? **NA – Very Weak**

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

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? **Yes – Strong – There are methods for alternative dispute resolution and the country is involved in multiple regional and bilateral trade agreements. There is a lack of a court system specialized for handling commercial disputes.**

4.3.1 Commercial Courts

SQ 16 Do specialized commercial courts exist for the handling of property disputes and foreclosures? **No – Very Weak, commercial disputes are tried in the lower court division called Ordinary Courts**

Sources: Globalex www.nyulawglobal.org/globalex/colombia1.htm
www.estandardsforum.org/colombia/business-indicators?id=159

4.3.2 Alternative Dispute Resolution

SQ 17 Are alternative dispute resolution mechanisms in place including commercial arbitration, private mediation and community based processes? **Yes – Strong – Member of New York Arbitration Convention**

Sources: New York Convention
www.newyorkconvention.org/new-york-convention-countries/contracting-states

The Colombia Law and Business Post
<http://colombialawbiz.com/2009/04/24/foreign-arbitration-in-colombia-and-enforcement-issues/>

4.3.3 Commercial Treaties

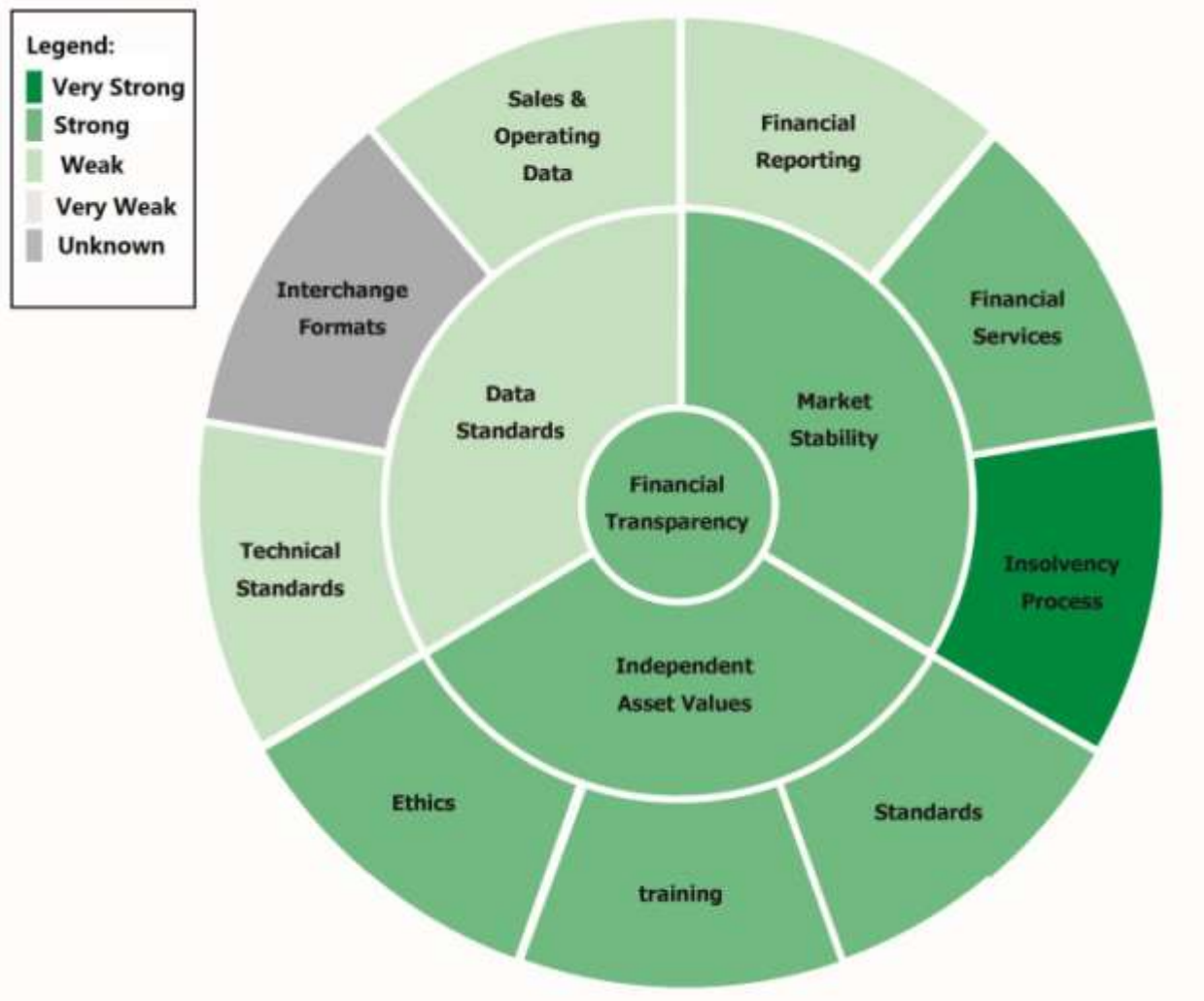
SQ 18 What bilateral, regional and international commercial treaties exist concerning business between countries? **Colombia is a member of WTO and participates in several regional trade agreements. The US-Colombia Trade Agreement is now in force and trade agreement has been reached between EU and Colombia. – Very Strong**

Source: Office of the United States Trade Representative <http://www.ustr.gov/uscolombiatpa>
European Commission - <http://trade.ec.europa.eu/doclib/press/index.cfm?id=691>
World Trade Organization - http://www.wto.org/english/thewto_e/countries_e/colombia_e.htm

In-Country Assessment

FQ8	To what extent do practitioners report the use of formal contracts and trust institutions to support contract enforcement?
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5. Financial Transparency- Strong



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? Yes – Strong – Colombia has done a good job in its insolvency process and the financial sectors provide a wide variety of financial services to businesses, but its auditing and reporting standard is below the average.
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Financial Reporting

5.1.1 What is the strength of the country's auditing and reporting standards? **Weak – 84th out of 144; Score 4.4 out of 7**

Financial Services

5.1.2 Does the financial sector provide a wide variety of financial services to businesses? **Strong – 66th out of 144; Score 4.7 out of 7**

Source: *The Global Competitiveness Report 2012-2013*, World Economic Forum
<http://reports.weforum.org/global-competitiveness-report-2012-2013/#>

Insolvency Process

Very Strong – Ranking – 21st out of 185 (2013) Trend ↓

5.1.3 What is the average time to complete bankruptcy proceedings? **1.3 years**

5.1.4 What is the cost of bankruptcy proceedings as a percentage of the estate? **6%**

5.1.5 What is the recovery rate of bankruptcy proceedings? **76.2 cents on the dollar**

Source: *Doing Business-2013* – Closing a Business
www.doingbusiness.org/data/exploreeconomies/colombia

5.2 Independent Asset Valuers

Core Question:	Do trained, independent and ethical asset valuers exist for all types of assets? Strong – the Colombian Society of Appraisers and the Federation of Real Estate Associations work together to certify appraisers.
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Survey Questions

5.2.1 Standards

SQ 19 How easy is it to find a valuer who implements International Valuation Standards? – **Strong**

Civil Society Resource: National Registry of Appraisers www.rna.org.co/

5.2.2 Training

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

5.2.3 Ethics

SQ 21 Are opinions offered by valuers free of influence from parties to the transaction? **Yes, Strong. A developing, independent valuation profession exists and an IVSC compliant code of conduct exists and is sporadically enforced.**

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

Registro Nacional de Avaluadores, <http://www.sic.gov.co/en/registro-nacional-de-avaluadores>

5.3 Data Standards

Core Question:	Is accurate property information available electronically in formats that are consistent with international standards? Weak – There is no uniform electronic exchange system and the building codes and office building measurement standards do not conform to international standards.
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Survey Questions

5.3.1 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 – weak, some internet sites starting to emerge, but no uniform system.**

Source: www.colombiamls.com/ www.encuentra24.com/colombia-en/real-estate

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

5.3.2 Interchange Formats

SQ 24 Do electronic data interchange formats conform to international standards (ebXML – electronic business using extensive markup language)? **Unknown**

5.3.3 Technical Standards

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

In-Country Assessment

Market Stability

FQ9 How stable has the property market been over the last several years?

Valuation Profession

FQ10 How many independent valuers exist in the market?

FQ11 How many companies exist and what is the average size of valuation companies?

FQ12 What are the valuation standards and do they conform to international and regional standards?

FQ13 What valuation methods and techniques are used in the market?

FQ14 Are there valuer associations in the market? What number and percentage of practitioners belong?

FQ15 What training programs are available to upgrade the quality of valuers?

FQ16 Are peer review mechanisms in place to assist in enforcing ethical behavior?

FQ17 What is the quality of valuation reports?

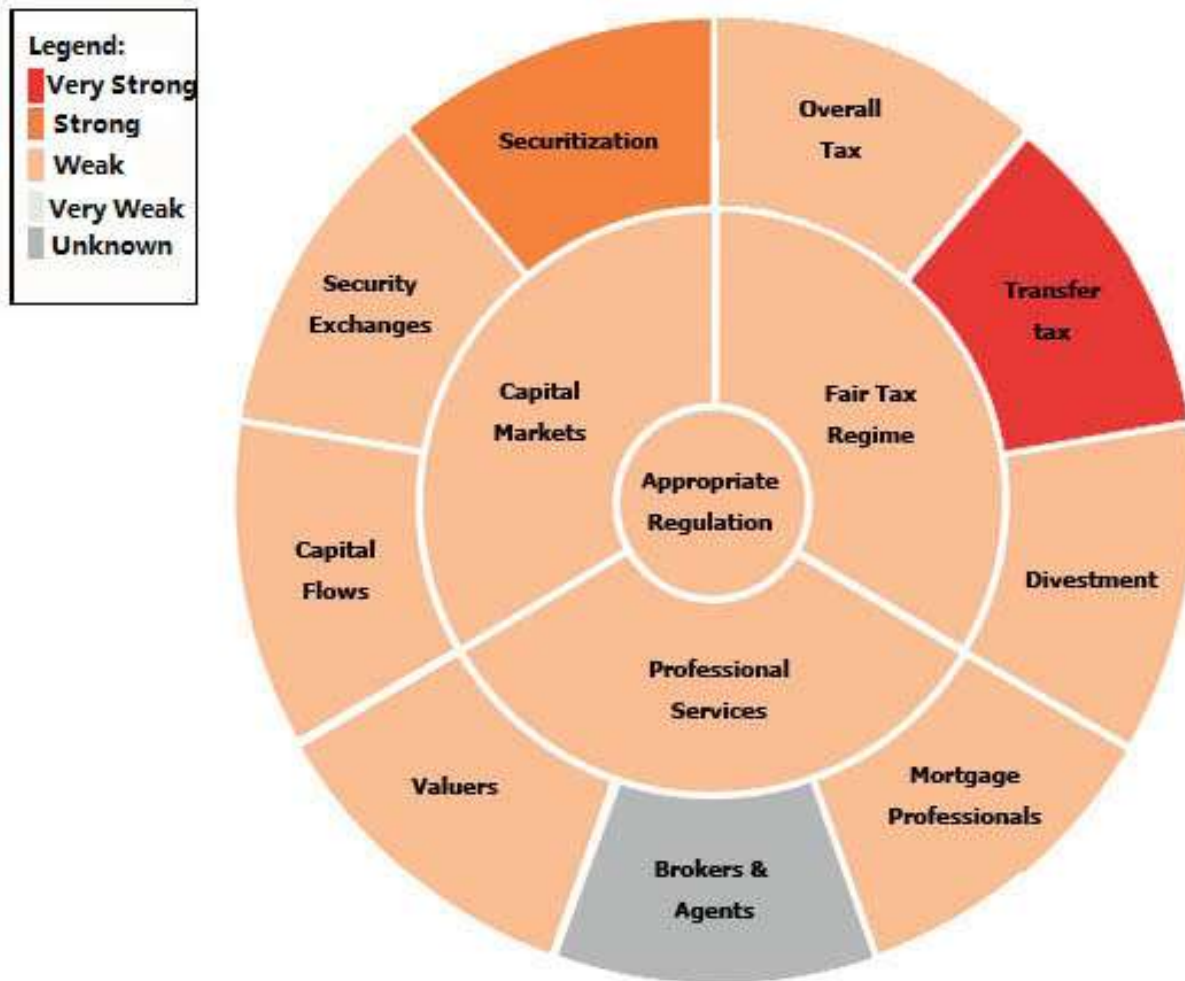
Data Availability

FQ18 What is the status of proprietary databases that include property information?

FQ19 What is the status of existing data sharing mechanisms for properties that are for sale or that have sold?

FQ20 Do valuers have established data sharing mechanisms

Appropriate Regulation – Weak



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 – While the property transfer tax is very low, the tax rate on entrepreneurs is high and there are inconsistencies when it comes to divestment and foreign property investment.
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Transfer Tax

6.1.1 What is the total property transfer tax including all duties and payments? **Very Strong – 2%**

Overall Tax

6.1.2 What is the overall tax rate on entrepreneurs (as a percentage of profits)? **74.4% – Ranking – 99th out of 185, - Weak – Trend =**

Source: *Doing Business 2013* – Paying Taxes & Registering Property, World Bank
www.doingbusiness.org/data/exploreeconomies/colombia

Divestment

6.1.3 Survey Question

SQ 26 What is the tax on profits for foreign investors when divesting property? **33% – Weak**

Source: Global Property Guide
www.globalpropertyguide.com/Latin-America/Colombia/Taxes-and-Costs

6.2 Professional Services

Core Question:	Are the professional services necessary for efficient and transparent property markets available and appropriately regulated and supervised? Weak
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6.2.1 Asset Valuers

Survey Questions

SQ 27 Are asset valuers licensed and/or certified by the government? **No – Weak, appraisers are certified by the private sector.**

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

SQ 28 How effective are mechanisms in place to discipline valuers who engage in misconduct?
Unknown

6.2.2 Brokers & Agents

Survey Questions

SQ 29 Are real estate brokers and agents licensed and/or certified by the government?
Unknown

SQ 30 How effective are mechanisms in place to discipline brokers or agents who engage in misconduct? **Unknown**

6.2.3 Mortgage Professionals

Survey Questions

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

SQ 32 How effective are mechanisms in place to discipline mortgage professionals who engage in misconduct? **Unknown**

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 – Weak – Colombia’s small capital market provides limited access to long-term credit and is somewhat concentrated in government bonds. But the securitization in the country is above the average.
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Capital Flows

6.3.1 How restricted is the flow of capital into and out of the country? **Weak – Ranked 82nd of 144 countries, Score 4.49 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 – Weak, Ranking 79th out of 144; Score 3.98 out of 7**

Source: *The Global Competitiveness Report 2012-2013*, World Economic Forum
<http://www.weforum.org/issues/competitiveness-0/gci2012-data-platform/>

Securitization

6.3.3 What is the depth of asset-backed securities, mortgage-backed securities, high-yield bonds and highly leveraged loans? **Strong – Ranking of 22nd of 66 countries with a score of 0.6**

Source: http://www3.weforum.org/docs/WEF_FinancialDevelopmentReport_2012.pdf

In-Country Assessment

Taxation

FQ21 What is the overall taxation system in regards to property?

The property tax is imposed on real property located in urban, suburban or rural areas, whether or not it is constructed land. Therefore, the property tax payers are the owners or holders of the real property.

The taxable base of this tax is the current cadastral value of the property, as adjusted for inflation. This tax is 100% deductible for income tax purposes, as long as there is a causal nexus with the income-producing activity of the taxpayer.

Source: http://www.investincolombia.com.co/Adjuntos/100_Colombian_tax_system.pdf

Brokerage

FQ22 What is the number of practitioners in the country including full-time brokers/agents with formal training and part-time, informal brokers?

FQ23 What is the number and average size of brokerage companies?

FQ24 Are there brokers associations active in the market? What number and what percentage of practitioners belong?

FQ25 What training programs are available to enhance productivity?

FQ26 Is there a Code of Ethics or standards that practitioners follow? Is the Code enforced?

FQ27 Do civil society organizations exist to support the development of mortgage professionals?