I. Why does it matter?
II. What does it measure – and what does it not?
III. What are the main findings in DB19?
IV. Good practices
Why does Dealing with Construction Permits matter?

No regulation

- If procedures are too complicated or costly, builders tend to proceed without a permit.
- An estimate of 60–80% building projects in developing economies are undertaken without the proper permits and approvals.

Sound regulation of construction

- Helps strengthen property rights.
- Protects the public from faulty building practices.
- Contributes to the process of capital formation.

Why does it matter?

- Construction regulation is an important consideration for entrepreneurs when deciding where to establish their business.
- Construction costs are the 5th most important factor determining the location of a start-up in the United States (according to the KPMG Competitive Alternatives data available at www.competitivealternatives.com)
I. Why does it matter?
II. What does it measure – and what does it not?
III. What are the main findings in DB19?
IV. Good practices
What does Dealing with Construction Permits measure?

- Number of procedures to legally build a warehouse
- Time required to complete each procedure
- Cost required to complete each procedure
- Building quality control index (0-15)

Every interaction with an external party (i.e. municipality, inspectors, utilities) is considered a procedure; starts with the first filing of the application or request and is completed when final document or service is received (construction permits, inspections and utility connections).

Time is recorded in calendar days; captures the median duration of each procedure.

Cost is recorded as a % of the warehouse value.

Assesses the quality of building regulation and its implementation.

Rankings are based on scores for four indicators:

- Days to comply with formalities to build a warehouse
- Cost to comply with formalities, as % of warehouse value
- Building quality control index
- Quality of building regulation and its implementation
What does Dealing with Construction Permits measure?

**Before Construction**
Building plans, site maps, all necessary clearances, licenses, permits and certificates

**During Construction**
Submit all required notifications; request and receive all necessary inspections

**After Construction**
Register the warehouse, obtain certificate of completion (occupancy permit)

**Utilities**
Obtain connections for water and sewerage

---

Cost (% of warehouse value)

A business in the construction industry

- Preconstruction
- Construction
- Postconstruction and utilities

Completed warehouse

Time (days)
## What are the case study assumptions?

<table>
<thead>
<tr>
<th>Assumptions</th>
<th>Construction company</th>
<th>Warehouse</th>
<th>Water and sewerage connections</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Construction company</strong></td>
<td>• Is a <strong>limited liability company</strong>;</td>
<td>• Will be used for <strong>general storage activities</strong> (e.g., books);</td>
<td>• 150 meters from the existing water source and sewer tap. If there is no water delivery infrastructure in the economy, a borehole will be dug.</td>
</tr>
<tr>
<td>• 100% <strong>domestically</strong> and <strong>privately</strong> owned;</td>
<td>• 2 stories, 1,300.6 square meters;</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Has 5 owners, none of whom is a legal entity;</td>
<td>• Located on a land plot of 929 square meters, 100% owned by BuildCo;</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Is <strong>fully licensed</strong> and insured to carry out construction projects;</td>
<td>• Located in the economy’s <strong>largest business city</strong> (periurban area, within city limits);</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Has <strong>60 builders</strong> and other employees, all of them <strong>nationals</strong> with the technical expertise and professional experience necessary to obtain construction permits and approvals.</td>
<td>• Valued at 50 times income per capita.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
What does the **Building Quality Control** index measure?

<table>
<thead>
<tr>
<th>Components</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Clarity and accessibility of regulations</strong></td>
<td></td>
</tr>
<tr>
<td>- How easily accessible the building regulations are.</td>
<td>0-2</td>
</tr>
<tr>
<td>- How clearly specified the requirements for obtaining a building permit are.</td>
<td></td>
</tr>
<tr>
<td><strong>Quality control before construction</strong></td>
<td>0-1</td>
</tr>
<tr>
<td>- Whether a licensed architect or licensed engineer is part of the committee or team that reviews and approves (and can refuse) building permit applications.</td>
<td></td>
</tr>
<tr>
<td><strong>Quality control during construction</strong></td>
<td>0-3</td>
</tr>
<tr>
<td>- Whether inspections are mandated by law during the construction process (risk-based, only technical inspections at different stages, or unscheduled inspections).</td>
<td></td>
</tr>
<tr>
<td>- Whether inspections during construction are implemented in practice.</td>
<td></td>
</tr>
</tbody>
</table>
What does the **Building Quality Control** index measure?

**Quality control after completion of construction**
- Whether a final inspection is mandated by law in order to verify that the building was built in accordance with the approved plans and existing building regulations.
- Whether the final inspection is implemented in practice.

**Liability and insurance**
- Whether any parties involved in the construction process are held legally liable for latent defects (or Decennial Liability)
- Whether any parties involved in the construction process are legally required to obtain a Latent Defect Liability Insurance (or Decennial Insurance)

**Professional certification and controls**
- The qualification requirements for a) the professional in charge of verifying the plans and b) the professional supervising construction on-site or conducting inspections (in terms of experience, education and qualifications).
I. Why does it matter?
II. What does it measure – and what does it not?
III. What are the main findings in DB19?
IV. Good practices
## Where is Dealing with Construction Permits the easiest?

### Top ten performers

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>Score</th>
<th>Procedures</th>
<th>Time</th>
<th>Cost</th>
<th>Quality index</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Hong Kong SAR, China</td>
<td>88.24</td>
<td>11</td>
<td>72</td>
<td>0.62</td>
<td>14</td>
</tr>
<tr>
<td>2.</td>
<td>Taiwan, China</td>
<td>87.11</td>
<td>10</td>
<td>82</td>
<td>0.42</td>
<td>13</td>
</tr>
<tr>
<td>3.</td>
<td>Malaysia</td>
<td>86.96</td>
<td>11</td>
<td>54</td>
<td>1.35</td>
<td>13</td>
</tr>
<tr>
<td>4.</td>
<td>Denmark</td>
<td>86.94</td>
<td>7</td>
<td>64</td>
<td>1.32</td>
<td>11</td>
</tr>
<tr>
<td>5.</td>
<td>United Arab Emirates</td>
<td>86.41</td>
<td>14</td>
<td>51</td>
<td>2.26</td>
<td>15</td>
</tr>
<tr>
<td>6.</td>
<td>New Zealand</td>
<td>86.40</td>
<td>11</td>
<td>93</td>
<td>2.22</td>
<td>15</td>
</tr>
<tr>
<td>7.</td>
<td>Lithuania</td>
<td>84.86</td>
<td>13</td>
<td>74</td>
<td>0.28</td>
<td>13</td>
</tr>
<tr>
<td>8.</td>
<td>Singapore</td>
<td>84.73</td>
<td>10</td>
<td>41</td>
<td>3.35</td>
<td>12</td>
</tr>
<tr>
<td>9.</td>
<td>Australia</td>
<td>84.59</td>
<td>11</td>
<td>121</td>
<td>0.72</td>
<td>14</td>
</tr>
<tr>
<td>10.</td>
<td>Korea, Rep.</td>
<td>84.43</td>
<td>10</td>
<td>28</td>
<td>4.37</td>
<td>12</td>
</tr>
</tbody>
</table>

Top improvers in 2017/18: India

During the second half of 2017, India continued to streamline its construction permit process by implementing the Single Window Clearance System (SWCS) in Delhi, and the Online Building Permit Approval System (OBPS) in Mumbai. With the implementation of these online platforms, all approvals from various agencies are now centralized.

Both cities also amended their liability and insurance regime regulations. The amended regulations also stipulate that construction professionals and construction companies should subscribe to a decennial liability insurance to cover for such liability.

Source: Doing Business database
Top improvers in 2017/18: Azerbaijan

<table>
<thead>
<tr>
<th></th>
<th>Doing Business 2019</th>
<th>Doing Business 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Score</td>
<td>73.11</td>
<td>60.48</td>
</tr>
<tr>
<td>Procedures (number)</td>
<td>18</td>
<td>19</td>
</tr>
<tr>
<td>Time (days)</td>
<td>116</td>
<td>196</td>
</tr>
<tr>
<td>Cost (% of warehouse value)</td>
<td>1.9</td>
<td>6.6</td>
</tr>
<tr>
<td>Building Quality Control Index</td>
<td>12.0</td>
<td>12.0</td>
</tr>
</tbody>
</table>

• In May 2017, Azerbaijan streamlined the building permitting process by introducing the single-window approach to obtain the construction permit. Investors are only required to use the single-window at the Baku City Executive Authority to obtain a construction permit.

Source: Doing Business database
During the first half of 2018, China introduced reform measures to streamline its construction permit process by implementing unified platforms for all building review processes carried out before the approval of a building permit in both Beijing and Shanghai.

The reforms also simplified documentation requirements, improved processing times, improved public access to information, introduced educational qualification and minimum experience requirements for professionals conducting drawing reviews and introduced a unified one-time application for inspections carried out after the completion of the construction.

Source: Doing Business database
Top improvers in 2017/18: Togo

- On December 21, 2017, Togo passed an interministerial decree which stipulates that the constructor is held liable towards the owner for structural flaws or problems in the building once it is in use. The decree also stipulates that the architect and project owner are required to obtain an insurance policy to cover possible structural flaws.

- Togo also strengthened the quality of the building permit application review process by increasing the professional qualification requirements of the professional reviewing the construction project.

Source: Doing Business database
Top improvers in 2017/18: **Turkey**

- Turkey increased the **transparency of its building regulations** by publishing online all pre-application requirements needed to obtain a construction permit.
- In addition, it strengthened construction quality control by imposing **stricter qualification requirements** for professionals in charge of approving architectural plans.

### Russia

<table>
<thead>
<tr>
<th></th>
<th>Doing Business 2019</th>
<th>Doing Business 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Score</td>
<td>73.19</td>
<td>69.36</td>
</tr>
<tr>
<td>Procedures (number)</td>
<td>18</td>
<td>18</td>
</tr>
<tr>
<td>Time (days)</td>
<td>103</td>
<td>103</td>
</tr>
<tr>
<td>Cost (% of warehouse value)</td>
<td>3.9</td>
<td>4.3</td>
</tr>
<tr>
<td>Building Quality Control Index</td>
<td>13</td>
<td>11</td>
</tr>
</tbody>
</table>

**Doing Business 2019 rank: 59**

*Source: Doing Business database*
Who reformed in Dealing with Construction Permits in 2017/18?

<table>
<thead>
<tr>
<th>Feature</th>
<th>Economies</th>
<th>Some highlights</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduced time for processing permit applications</td>
<td>Azerbaijan; Botswana; China; El Salvador; Ethiopia; Greece; Guinea; India; Kosovo; Malaysia; Malta; Russian Federation; Serbia; Sri Lanka; Taiwan, China; Zimbabwe</td>
<td>Sri Lanka made dealing with construction permits easier by <strong>reducing the processing times</strong> to issue several building certificates.</td>
</tr>
<tr>
<td>Streamlined procedures</td>
<td>Azerbaijan; Botswana; China; El Salvador; Greece; India; Kosovo; Malaysia; Malta; Serbia; Sri Lanka</td>
<td>Kosovo made dealing with construction permits easier by <strong>streamlining the inspection system</strong> through the use of an in-house engineer.</td>
</tr>
<tr>
<td>Adopted new building regulations</td>
<td>China; Côte d'Ivoire; Gabon; Ghana; Madagascar; Peru; Philippines; Togo</td>
<td>Ghana and Peru strengthened construction quality control by imposing <strong>stricter qualification requirements</strong> for professionals in charge of technical inspections. The Philippines made the construction sector safer by <strong>improving its risk management practices</strong>; latent defect liability insurance is now commonly obtained by industry players.</td>
</tr>
</tbody>
</table>

### Who reformed in Dealing with Construction Permits in 2017/18?

<table>
<thead>
<tr>
<th>Feature</th>
<th>Economies</th>
<th>Some highlights</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improved transparency</td>
<td>Burundi; China (Beijing); India; Mauritania; Sri Lanka; Turkey; Uruguay</td>
<td>Burundi increased the transparency of dealing with construction permits by publishing regulations related to construction online free of charge. Uruguay improved the quality of its building regulations by creating an online portal that provides information on the requirements and fees to obtain a building permit.</td>
</tr>
<tr>
<td>Reduced fees</td>
<td>Azerbaijan; Cambodia; China; Gabon; Greece; Guinea; India; Macedonia, FYR; Madagascar; Niger; Togo</td>
<td>Cambodia reduced the cost of obtaining a building permit as well as the cost of requesting the construction site opening and of receiving a final construction inspection.</td>
</tr>
<tr>
<td>Introduced or improved one-stop shop</td>
<td>Azerbaijan; Belarus; China; India; Sri Lanka; Taiwan, China; Zimbabwe</td>
<td>Taiwan, China, made dealing with construction permits less time-consuming by improving the efficiency of its single window counter in the Taipei City Construction Management Office. Zimbabwe made dealing with construction permits faster by adopting a one-stop shop for building plan approvals.</td>
</tr>
<tr>
<td>Improved or introduced electronic platforms or online services</td>
<td>China; India; Russian Federation; Serbia; Sri Lanka; Taiwan, China; Uruguay</td>
<td>Serbia reduced the time needed to obtain a construction permit by introducing an electronic application system.</td>
</tr>
</tbody>
</table>

Dealing with Construction Permits was the fourth most reformed Doing Business area in 2019

Source: Doing Business database
Reforms making it easier to obtain a construction permit show results **over time** in reduced delays.

**2005**

- Time reduced by 24%, on average

**2018**

It was possible to complete the construction permit process in **less than 150 days** in only **58 economies***, in 2006.

Now, the time to complete the construction process is **less than 150 days** for entrepreneurs in **103 economies** worldwide.

*Source: Doing Business database.*
It takes on average **157 days** to complete the construction permitting process globally.

*Source: Doing Business 2019.*

Fastest construction permit process: 27.5 days (in Korea, Rep.)
Time and cost to obtain construction permits vary across and within the regions

- **Fastest construction permits process in each region (days):**
  - Korea (27.5)
  - Georgia (63)
  - Sri Lanka (87)
  - UAE (51)
  - São Tomé and Príncipe (67)
  - Marshall Islands (38)
  - Mexico (82)

- **Lowest construction permit process cost in each region (% warehouse value):**
  - Slovenia/Estonia/Czech Rep (0.2%)
  - Georgia (0.3%)
  - Sri Lanka (0.3%)
  - Mongolia (0.1%)
  - Iraq (0.3%)
  - Trinidad & Tobago (0.1%)
  - Seychelles (0.3%)

OECD high-income economies have the highest ease of doing business score for Dealing with Construction Permits
Dealing with construction permits is the fastest in East Asia and the Pacific.

European and Central Asian economies have the best quality control and safety mechanisms.

Average of building quality control index scores (0-15)

Dealing with Construction Permits is the least expensive in OECD high-income economies.

I. Why does it matter?
II. What does it measure – and what does it not?
III. What are the main findings in DB19?
IV. Good practices
Dealing with Construction Permits

Good practices

Global good practices

- Risk-based systems allowing the treatment of buildings according to their risk-level and location
- A coherent body of rules that defines what is required from builders and ensures a uniform implementation
- Improvements on the organization of the review process - by better coordinating the efforts of different agencies
Good Practices from around the world in Dealing with Construction Permits

Setting rules and ensuring that they are clear and coherent

New Zealand chose an effective approach: performance oriented building codes set technical standards and targets but do not regulate how to achieve them, allowing for innovation and flexibility in building techniques.

Improving transparency and facilitating access to regulations

The United Kingdom provides an online portal where all legislation as well as good practices can be easily accessed, in addition to guidelines on how to get approval for a building project.

Ensuring building quality control and safety mechanisms are in place

Azerbaijan adopted a new Urban Planning and Construction Code in 2012 which consolidates construction regulations into a single framework covering everything from the issuance of building permits to inspections of construction, qualification requirements for construction professionals and the issuance of occupancy permits.
**Differentiating projects by risk**

**Rwanda** adopted a risk-based approval system in 2017, which provides specific guidance on inspections by type of buildings in relation to their anticipated risks and the complexity of the construction. This has simplified the process and streamlined the procedures needed to obtain construction permits for less complex buildings.

**Using one-stop shops to improve coordination and increase efficiency**

**Singapore** introduced CORENET (Construction and Real Estate Network) e-Submission System in 2013, which has streamlined the process for building professionals to request and obtain several approvals from different authorities.
THANK YOU!

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