

DOING BUSINESS (2018) – PAKISTAN

Lahore

Construction Permits

Introduction

1. This briefing paper considers the current position of the DB topic of Construction Permits in Pakistan.
2. Specific commentary is made herein only to data relating to Lahore.
3. Pakistan is ranked overall 141 out of 190 countries, as measured by the Doing Business 2017 report with a Distance to Frontier (DTF) of 51.77%¹.
4. In relation to Construction Permits, Pakistan ranks 150/190 in 2017 with a DTF of 59.07%.
5. The DB data (2017) for Lahore shows attainment of 61.70% against the four respective indicators (time, cost as % of warehouse value, procedures and building control quality index).
6. In relation to the various elements of the building quality control index², Lahore scores 11 out of a possible 15 points.
7. The reasons for Lahore's comparative low score may be explained by the following factors:
 - Lengthy time to obtain construction permit for simple warehouse – data shows it takes an average of 272 days and 15 procedures;
 - There are multiple land owning authorities having their own by-laws for issuance of construction permits. The two main authorities to consider are Lahore Development Authority (LDA) and Local Government & Community Development Department/Metropolitan Corporation Lahore (LG&CD/MCL).
 - Obtaining a No Objection Certificate on the Environmental Impact Assessment from the Environmental Protection Agency is cumbersome. It takes about 38.60% (105 days) time of the combined procedures.

Comment [u1]: Too many brackets

¹ The Distance to Frontier score captures the gap between an economy's performance and 100 – a measure of best practice.

² The building quality control index is based on six other indices—the quality of building regulations, quality control before construction, quality control during construction, quality control after construction, liability and insurance regimes, and professional certifications indices.

- There is lack of clear set of legal requirements for Environmental Impact Assessment on different types of construction categorizations including, commercial, residential and warehouses.

- Absence of online facility to acquire assessment copy of the property unit from the Excise and Taxation Department; it takes about 30 days and affects efficiency.
- Water and sewerage connection processes are lengthy that take 60 days which include acquiring copy of the assessment of property unit.

Issuance of completion certificate from the Lahore Development Authority (LDA) takes about 30 days; this indicates the absence of efficient use of process flow to maximize the assessment efficacy of inspections during different construction stages.

- For construction quality control, there is **no** requisite law to obtain an insurance policy to cover possible structural flaws or problems in the building once it is in use.
- Mandatory inspections do not always take place.

8. The balance of this paper highlights both short-term solutions (to be considered capable of implementation within 100 days) and long-term goals to benefit Lahore and increase its DTF scoring.

Table A - Steps to be considered to improve Lahore's DTF score within 100 days

It is suggested that measures are considered and adopted to allow long-term goals to be introduced within the course of 100 days.

Indicator	Suggested measure
Development of standardized by-laws between LDA and LG&CD/MCL	LDA and LG&CD/MCL could consider reviewing and revising their by-laws in line with best international practices and standardizing them for the ease of consumers.
Access of information for public at LG&CD/MCL	LG&CD/MCL could consider: Publishing CP procedures, fees and binding timelines (service charter) on LG&CD/MCL website. Development and upload of CP requirement checklists and required forms for all major types of projects. LDA's website provides some good examples http://www.lda.gov.pk/building_plan.php#parentVerticalTab8

Improve transparency and information disclosure	Consider publishing permitting statistics, including applications' processing time on LDA and LG&CD/MCL websites.
Improve quality of construction	Develop a set of policies and procedures for LDA and LG&CD/MCL to ensure that mandatory inspections take place in practice.
Improve Communication	LG&CD/MCL to consider: Arranging large-scale and ongoing communication campaigns to ensure that firms are aware of and can benefit from reforms.

Table B – Long-term goals to be attained to improve Lahore's DTF score within one year

Goal	Task
Automation of LDA's and LG&CD/MCL CP- based processes	LDA and LG&CD/MCL to consider: Digitization of all manual records and creation of easily accessible database Automation of all processes related to construction permits, including online application submission Deployment of Enterprise Resource Planning (ERP) application for financial and human resource module
Automation and process re-engineering for issuance of construction permits at LG&CD/MCL	Establishment of one window operation at PITB for processing of CP applications
Automation of LDA's CP-based processes	GIS mapping of LDA's schemes for spatial database creation Integration of current software capabilities
Introduction of IT-based monitoring provisions for CP applications	LDA and LG&CD/MCL should consider introducing IT-based monitoring provisions of CP applications including SMS, online and smartphone appbased tracking (LDA already has an application status search function on its website).

Risk base classification for Construction Permits at LDA & LG&CD/MCL	LDA & LG&CD/MCL should consider: Reviewing and producing a list of current by-laws/regulations governing complexity categorization. Highlight steps required to change by-laws/regulations for incorporating changes to the complexity categorization including the identification of authorities that need to approve these changes like WASA, TEPA, EPA, Excise & Taxation etc.
LDA and LG&CD/MCL to link with LRMIS	For online verification of ownership documents, LDA and LG&CD / MCL should consider to develop online link with Punjab LRIMS.
Review of EPA's regulations	Environmental Protection Agency should consider reviewing its regulations for Impact Assessment on different types of construction to introduce simplified procedure for low-risk projects located in an appropriately zoned area.
Improve mandatory inspections compliance	Create a unified inspections database, equip inspectors with digital technology to report inspection completion in real time.

