

A World Bank Group Flagship Report



Doing Business 2018

Dealing with Construction Permits



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Enrique Orellana

Analyst

DECIG

May 8 2018

- I. Why does it matter?**
- II. What does it measure – and what does it not?
- III. What are the main findings in DB18?
- IV. Findings for Pakistan



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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)

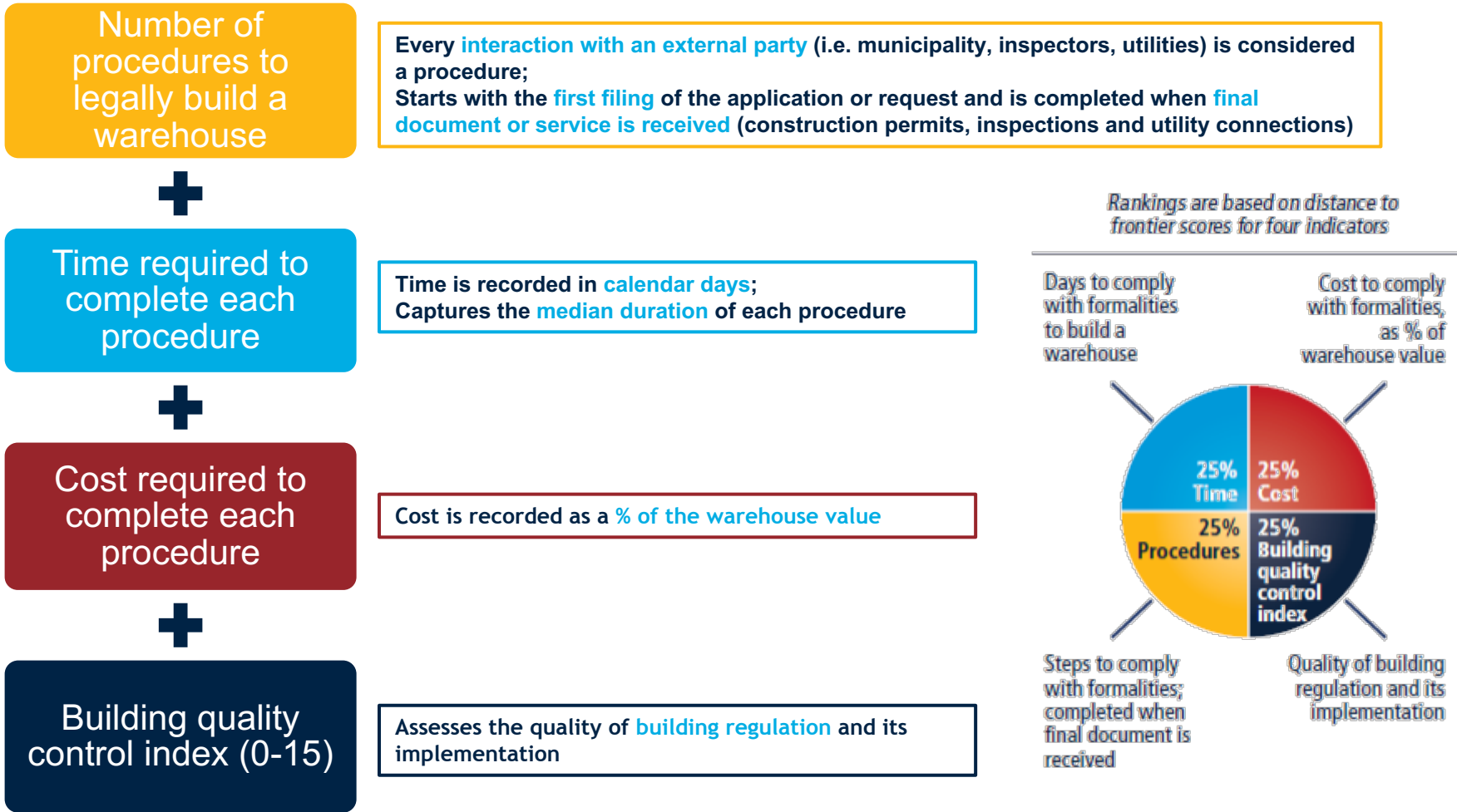
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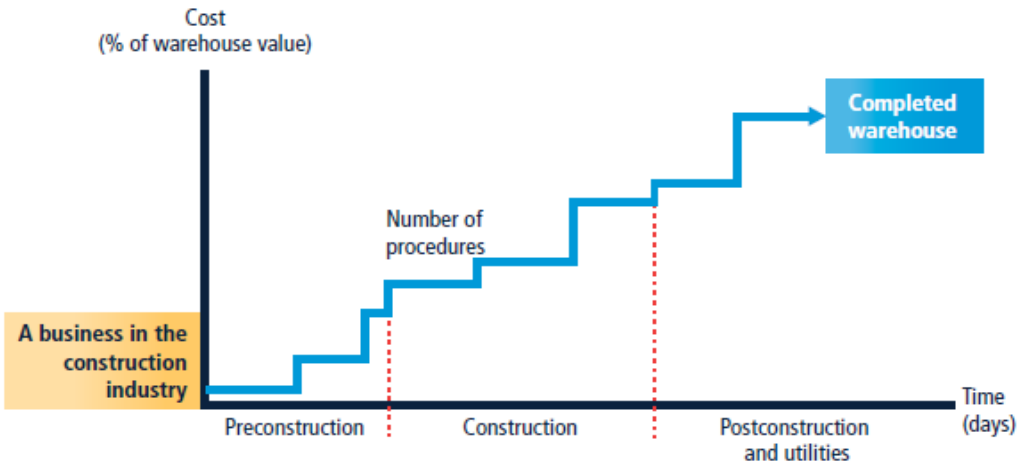
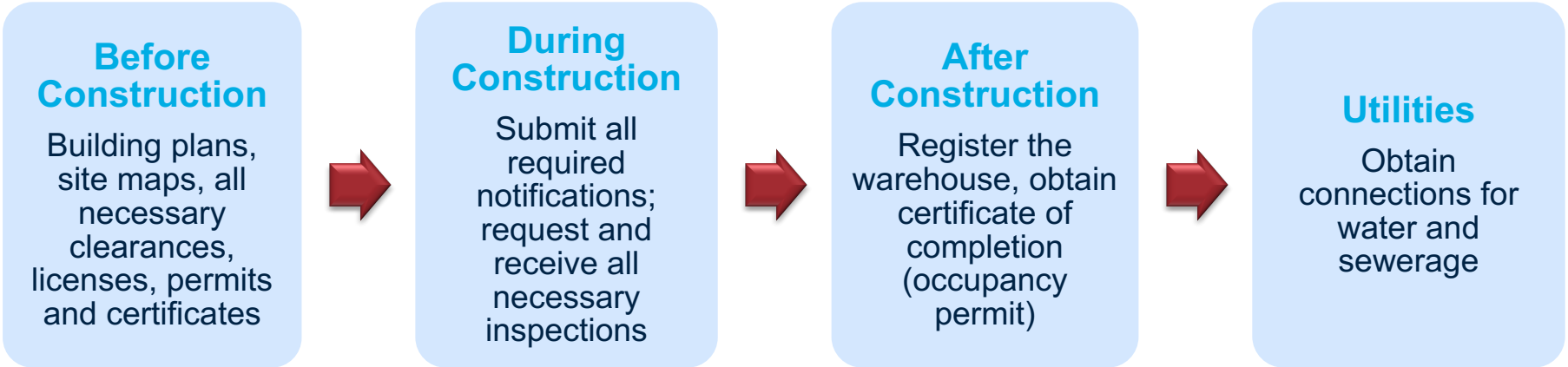
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What does Dealing with Construction Permits **measure**?



What does Dealing with Construction Permits **measure**?



What are the case study assumptions?

Assumptions		
Construction company	Warehouse	Water and sewerage connections
<ul style="list-style-type: none">• Is a limited liability company;• 100% domestically and privately owned;• Has 5 owners, none of whom is a legal entity;• Is fully licensed and insured to carry out construction projects;• Has 60 builders and other employees, all of them nationals with the technical expertise and professional experience necessary to obtain construction permits and approvals.• Has a certified architect and a certified engineer, both registered with the respective association, where available.	<ul style="list-style-type: none">• Will be used for general storage activities (e.g., books);• 2 stories, 1,300.6 square meters;• Located on a land plot of 929 square meters, 100% owned by BuildCo;• Located in the economy's largest business city (periurban area, within city limits);• Construction costs valued at 50 times income per capita.	<ul style="list-style-type: none">• 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.

What does the Building Quality Control index measure?

Components	Score
Clarity and accessibility of regulations	0-2
Quality control before construction	0-1
Quality control during construction	0-3
Quality control after completion of construction	0-3
Liability and insurance	0-2
Professional certification and controls	0-4

What does the Building Quality Control index measure?

Components

Score

Clarity and accessibility of regulations

- How easily accessible the building regulations are.
- How clearly specified the requirements for obtaining a building permit are.

0-2

Quality control before construction

- Whether a licensed architect or licensed engineer is part of the committee or team that reviews and approves (and can refuse) building permit applications.

0-1

Quality control during construction

- Whether inspections are mandated by law during the construction process (risk-based, only technical inspections at different stages, or unscheduled inspections).
- Whether inspections during construction are implemented in practice.

0-3

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.

0-3

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)

0-2

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).

0-4

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Where is Dealing with Construction Permits **the easiest** and what do they have in common?

Top ten performers



Denmark



United Arab Emirates



New Zealand



Taiwan, China



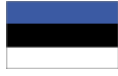
Hong Kong SAR, China



Australia



Luxembourg



Estonia



Mauritius



Serbia

Global good practices

- ✓ **Risk-based systems**
Rigorous yet differentiated construction permitting processes to treat buildings according to their risk-level and location.
- ✓ **Building codes; setting rules**
A coherent body of rules that defines what is required from builders, and its uniform implementation.
- ✓ **One-stop shops**
Improvements on the organization of the review process—by better coordinating the efforts of different agencies.

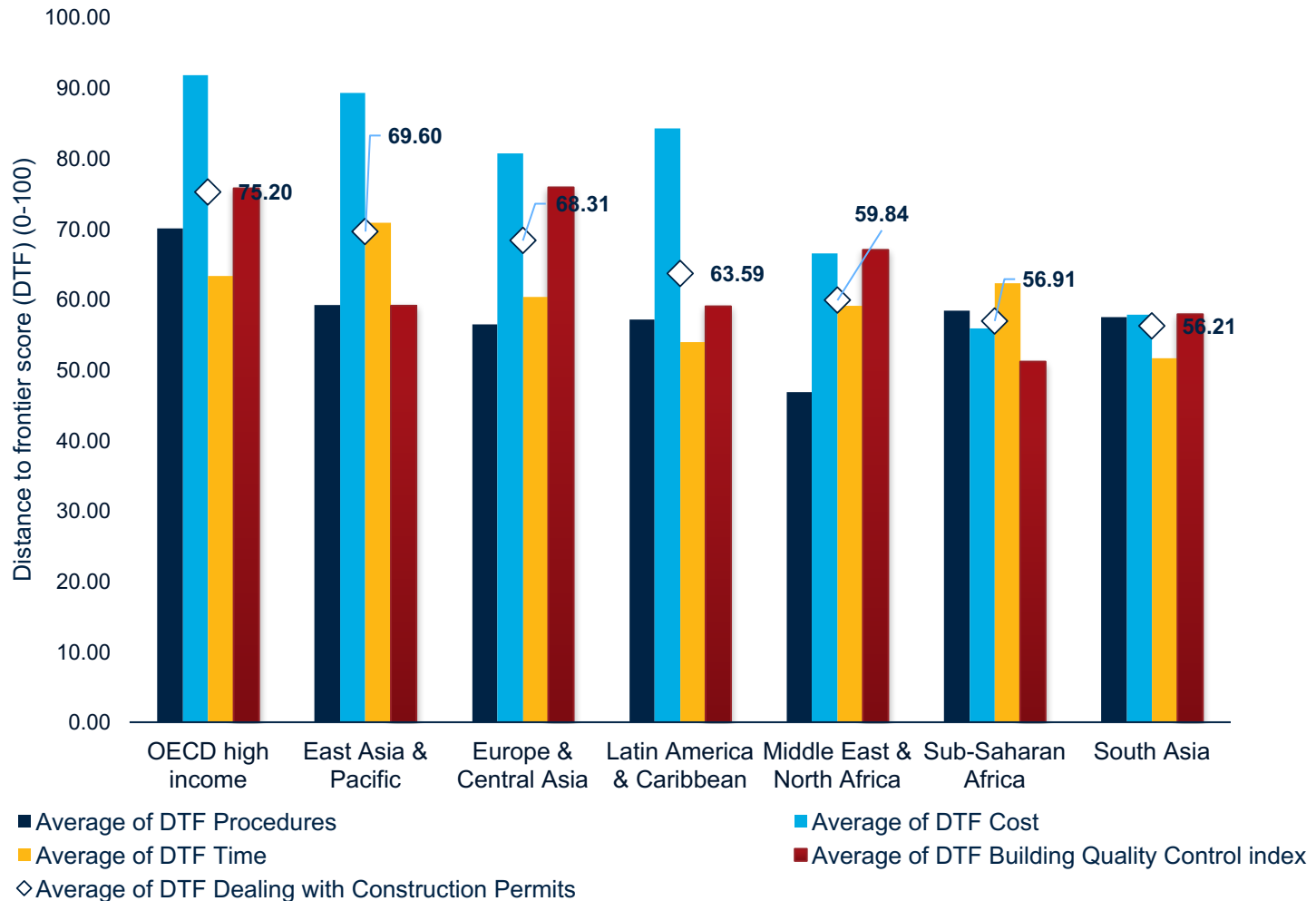
Who reformed in Dealing with Construction Permits in 2016/17?

Feature	Economies	Some highlights
Reduced time for processing permit applications	Angola; Brunei Darussalam; Côte d'Ivoire; El Salvador; Gabon; India Mumbai; India New Delhi; Kenya; Lithuania; Mauritius; Niger; Nigeria Lagos; Tanzania; United Arab Emirates; Uzbekistan	Lithuania reduced the time it takes to obtain technical conditions and the building permit. Niger introduced new rules to obtain a water connection as well as service delivery objectives, resulting in a reduction in the time to obtain water connection. The Waste Water Management Authority (WMA) in Mauritius outsourced the design and construction of sewage connection works to five private companies thereby reducing the time to provide sewage connection.
Streamlined procedures	Brunei Darussalam; Gabon; Niger; Nigeria Lagos; Uzbekistan	Brunei Darussalam issued and implemented the Building Guidelines and Requirement 2017, eliminating the requirement to obtain a hoarding permit , and to submit both the commencement and completion notice to the one stop-shop. Gabon instituted an internal pre-approval meeting with the relevant technical experts to examine an application file prior to the formal committee meeting and immediately inform applicants in case of issues. Niger streamlined its internal processes and set up a building permit commission which meets every Thursday to rule on permit applications.
Adopted new building regulations	Djibouti; El Salvador; Niger; Rwanda; United Arab Emirates; Uzbekistan	Djibouti implemented a decree clearly establishing the decennial liability for all professionals engaged in construction projects. El Salvador introduced new regulations mandating that phased inspections be carried out during construction and that professionals reviewing the building plans and conducting technical inspections during construction have a minimum number of years of experience . Uzbekistan introduced a new system of allocating land through a competitive selection process for land plots of up to 1 hectare.

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

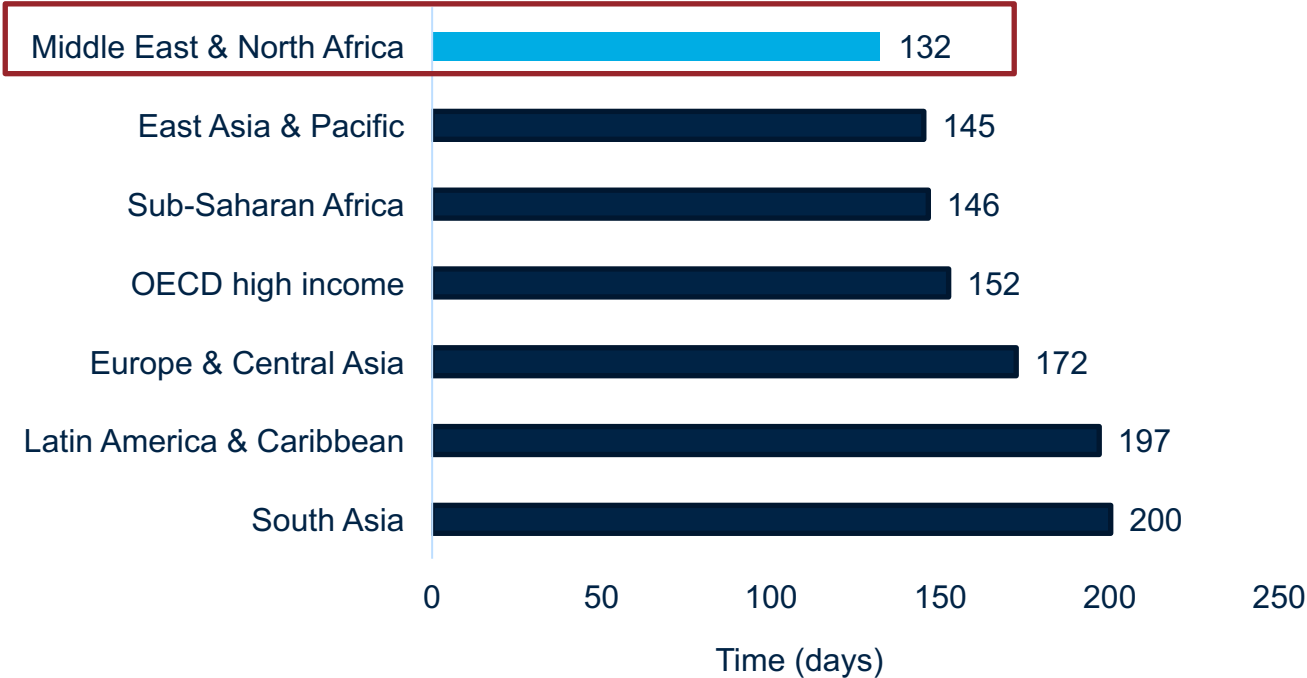
Feature	Economies	Some highlights
Improved transparency	Benin; Cabo Verde; Gabon; Ghana; Niger; Nigeria Lagos; Nigeria Kano; Seychelles	Gabon improved the transparency of information by publishing the legislation related to the construction industry online. Nigeria (Kano and Lagos) increased transparency by publishing online all relevant regulations, fee schedules and pre-application requirements.
Reduced fees	Djibouti; Kenya; Malawi; Niger; Ukraine; United Arab Emirates	Kenya eliminated the cost to obtain clearances from the National Environment Management Authority and the National Construction Authority. Malawi halved the fees to obtain a building permit. Ukraine lowered the contribution to the city's social and engineering-transport infrastructure. The National Laboratory of Djibouti published new official fees for its services, reducing the cost for concrete inspections.
Introduced or improved one-stop shop	Côte d'Ivoire, Tanzania	Côte d'Ivoire created a one-stop shop for processing building permits. Tanzania's one stop-shop is fully functional and its efficiency has increased thanks to a better coordination among all agencies.
Improved or introduced electronic platforms or online services	Angola; El Salvador, India Mumbai; India New Delhi	Angola improved its online application system to obtain building permits by making it more user friendly and improving user access to the public agencies involved in the permitting process. El Salvador introduced a "single window" system, making preliminary construction fees payable online. The Municipality of Greater Mumbai introduced an online Single Window System that allows for the submission and approval of building plans prior to requesting the building permit along with various other services.

OECD high income economies have the highest distance to frontier score for Dealing with Construction Permits



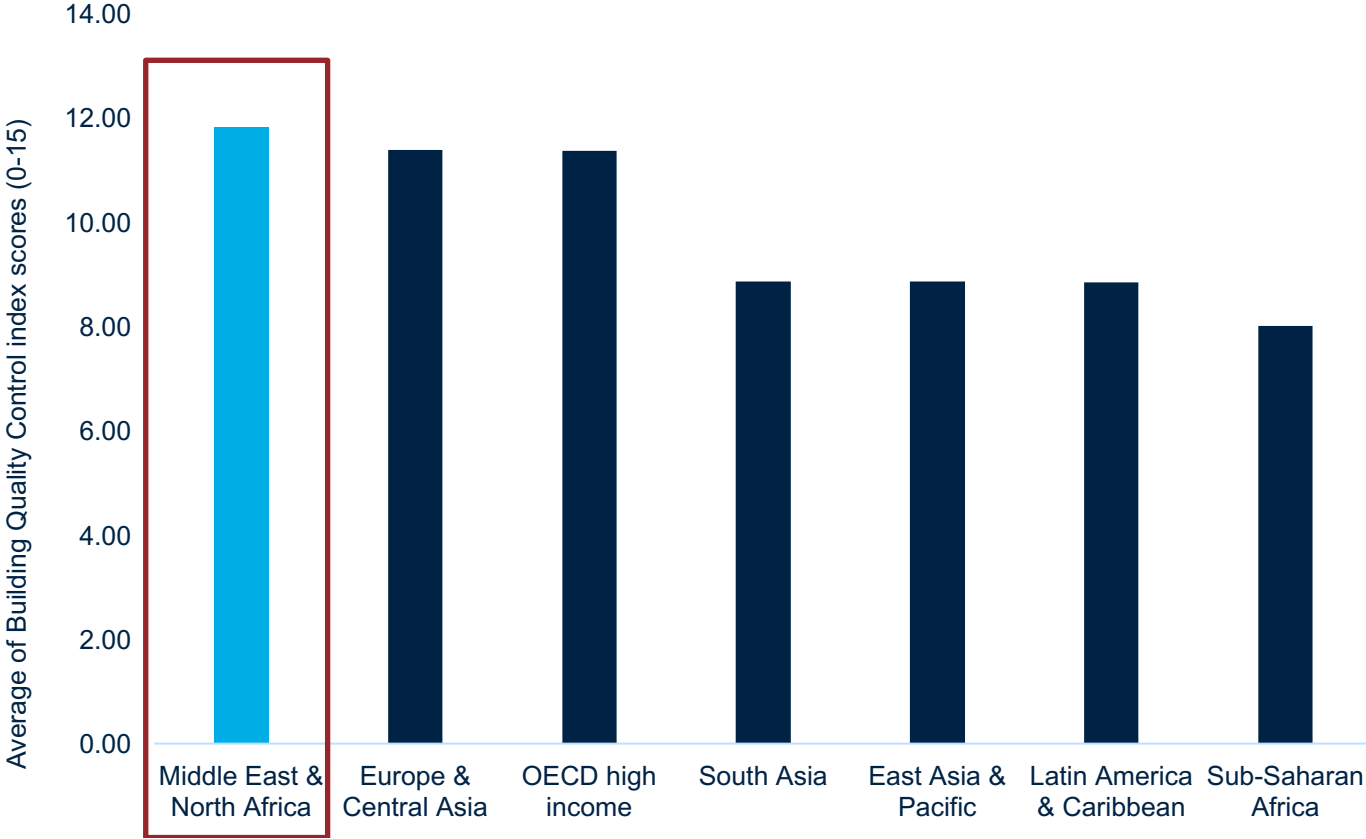
Source: Doing Business database

Dealing with construction permits is the fastest in the Middle East and North Africa



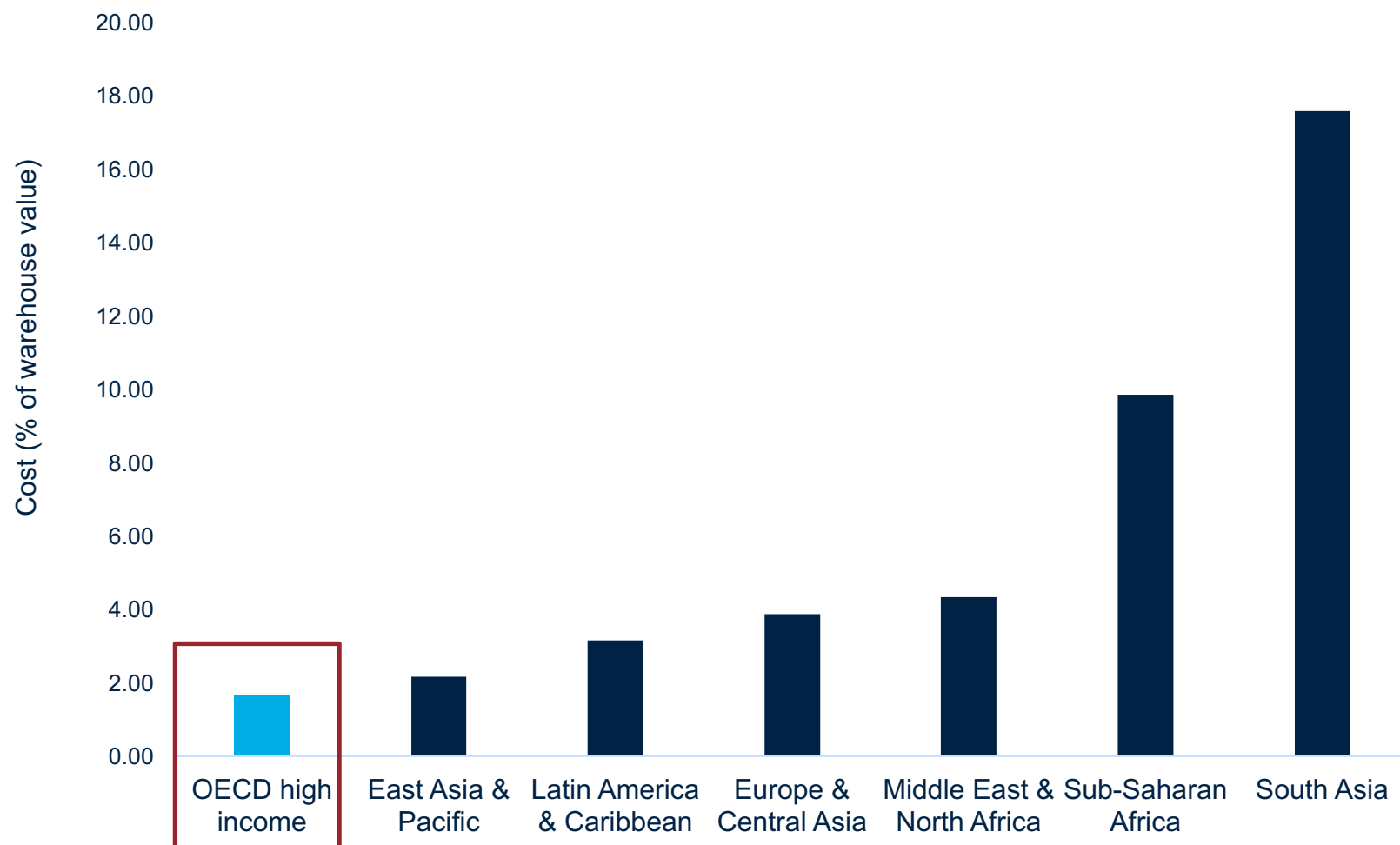
Source: Doing Business database

Middle East & North African economies have the best quality control and safety mechanisms



Source: Doing Business database

Dealing with Construction Permits is **least expensive** in **OECD high income economies**



Source: Doing Business database

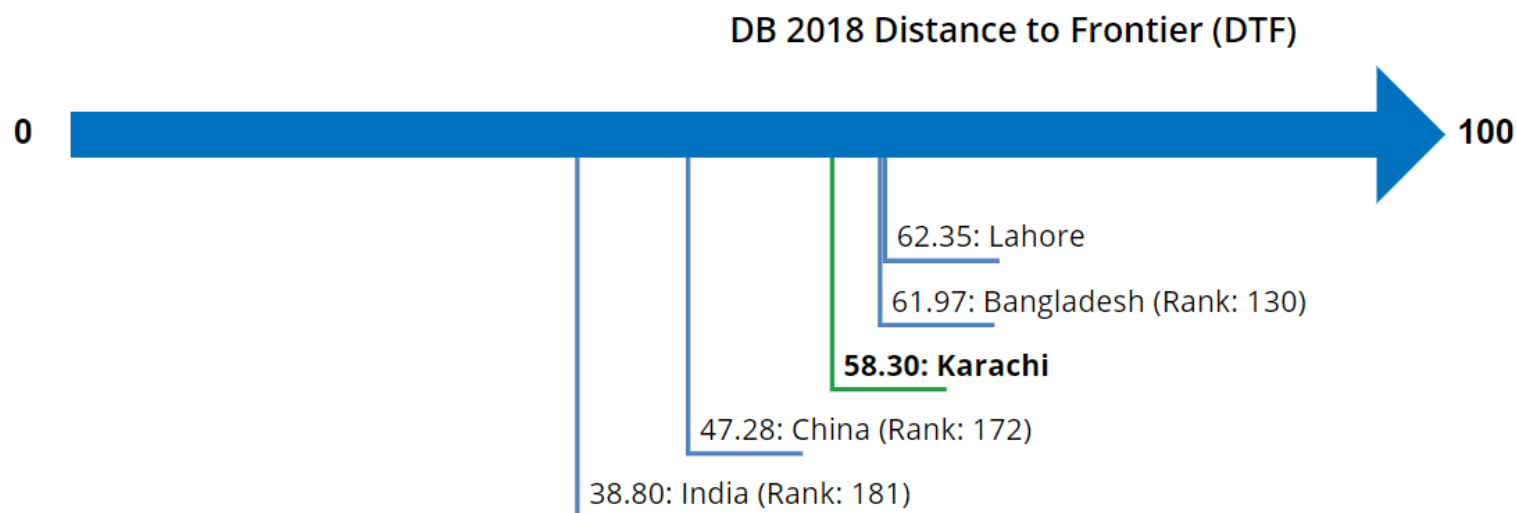
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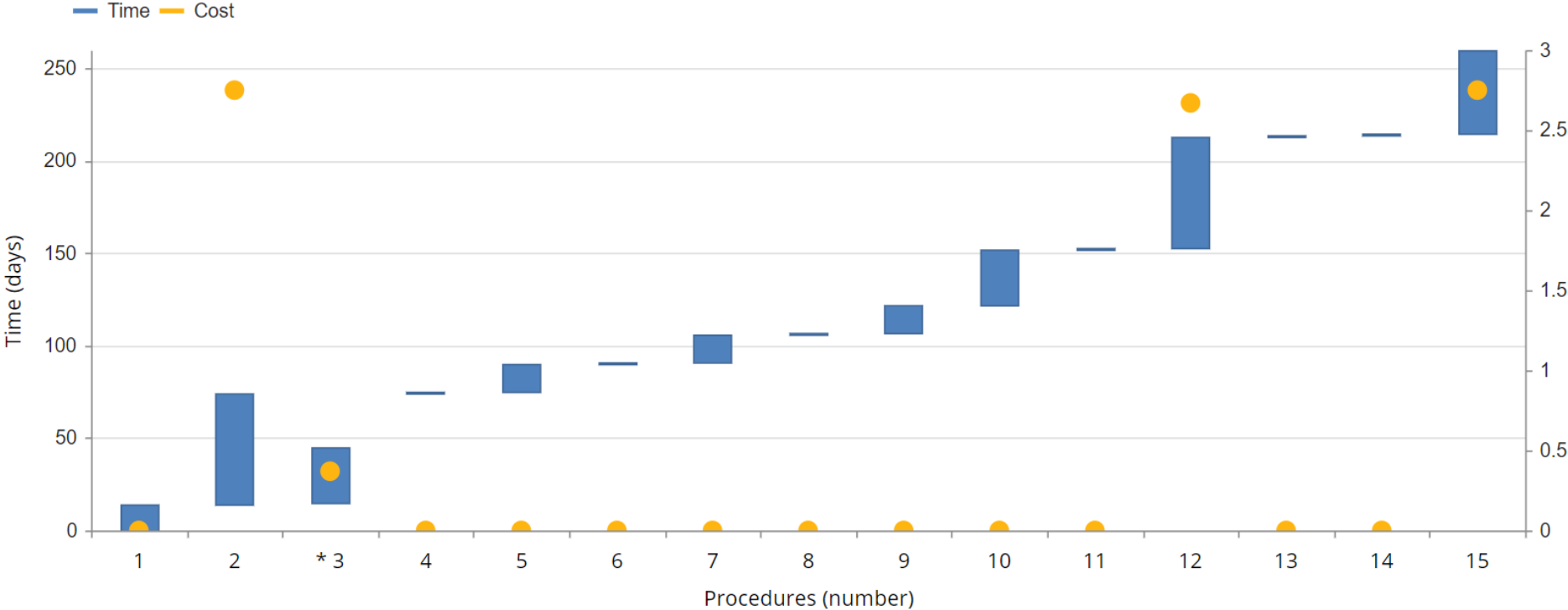


How did Karachi, Pakistan perform on dealing with construction permits in *Doing Business 2018*?



Indicator	Karachi	South Asia	OECD high income	Overall Best Performer
Procedures (number) ⓘ	15	16.0	12.5	7.00 (Denmark)
Time (days) ⓘ	260	193.9	154.6	27.5 (Korea, Rep.)
Cost (% of warehouse value) ⓘ	8.5	17.6	1.6	0.10 (5 Economies)
Building quality control index (0-15) ⓘ	12.5	8.7	11.4	15.00 (3 Economies)

Dealing with Construction Permits in Karachi, Pakistan— procedures, time and cost



Source: Doing Business database.

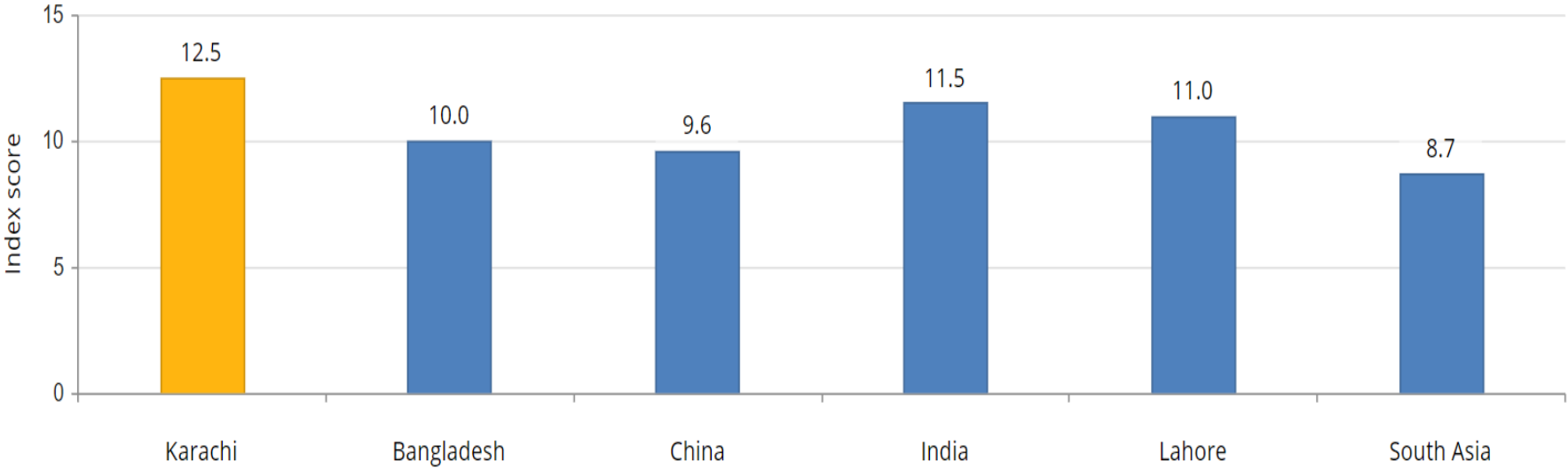
Procedures, time and cost to deal with construction permits in Karachi, Pakistan

No.	Procedure	Time to complete	Associated Costs
1	Mandatory inspections are done most of the time during construction.	14 days	No charge
2	Obtain a building permit	60 days	PKR 224,000
3	File an environmental checklist with the Environmental Protection Agency	30 days	PKR 30,000
4	Notify the Sindh Building Control Authority (SBCA) in writing of the completion of foundations	1 day	No Charge
5	Receive foundations work inspection from the Sindh Building Control Authority (SBCA) and await approval	15 days	No Charge
6	Submit the first floor Certificate Form to the Sindh Building Control Authority (SBCA)	1 day	No Charge
7	Receive first floor slab casting inspection from the Sindh Building Control Authority (SBCA) and await approval	15 days	No Charge
8	Submit the second floor Certificate Form to the Sindh Building Control Authority (SBCA)	1 day	No Charge
9	Receive second floor slab casting inspection from the Sindh Building Control Authority (SBCA) and await approval	15 days	No Charge

Procedures, time and cost to deal with construction permits in Karachi, Pakistan

No.	Procedure	Time to complete	Associated Costs
10	Request a copy of property tax valuation and copy of the certificate from the Excise and Taxation Department	30 days	No Charge
11	Receive inspection from the Excise and Taxation Department and obtain a copy of property tax valuation and copy of the certificate from the tax authorities	1 day	No Charge
12	Request Water and Sewerage Connection	60 days	PKR 217,175
13	Apply for occupancy permit and request final inspection	1 day	No Charge
14	Receive final inspection	1 day	No Charge
15	Receive completion certificate from the Sindh Building Control Authority (SBCA)	45 days	PKR 224,000

Dealing with Construction Permits in Karachi, Pakistan and selected comparator economies – building quality index



Source: Doing Business database.

How does **Karachi, Pakistan** score on the building quality control index (0-15)?

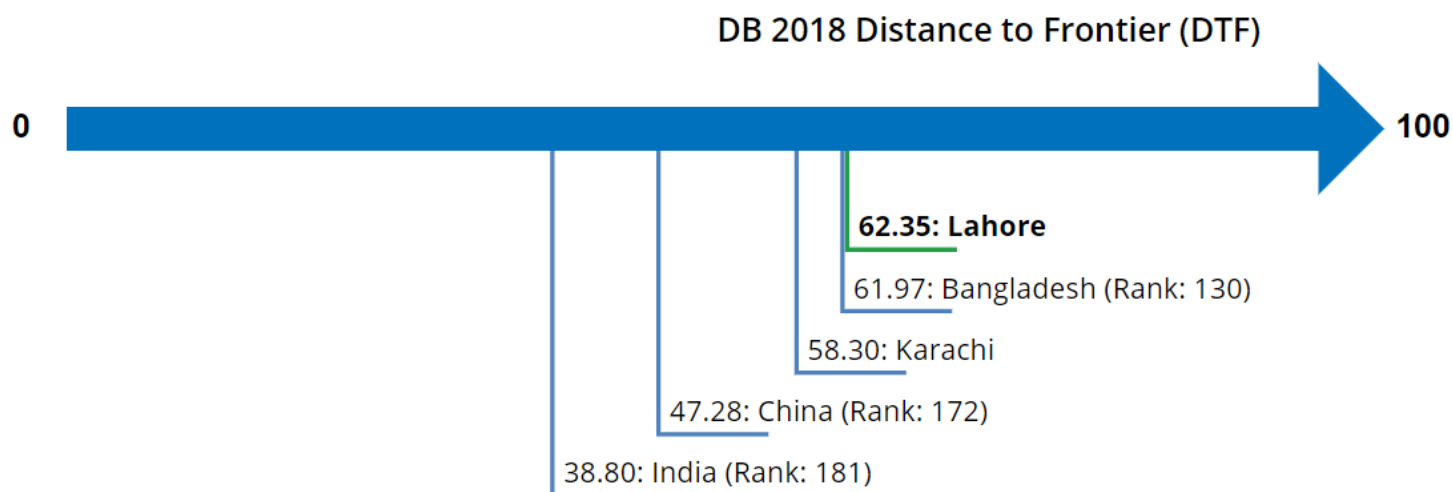
Karachi, Pakistan scores 12.5 on the building quality control index in *Doing Business 2018*

Quality of building regulations (0-2)	Answer	2
1. How accessible are building laws and regulations in your economy? (0-1)	Available online; Free of charge.	1
2. Which requirements for obtaining a building permit are clearly specified by the building regulations or by any accessible website, brochure or pamphlet? (0-1)	List of required documents; Fees to be paid; Required preapprovals	1
Quality control before construction (0-1)	Answer	1
1. Which third-party entities are required by law to verify that the building plans are in compliance with existing building regulations? (0-1)	Licensed architect; Licensed engineer.	1
Quality control during construction (0-3)	Answer	1
1. What types of inspections (if any) are required by law to be carried out during construction? (0-2)	Inspections by in-house engineer; Inspections at various phases.	1
2. Do legally mandated inspections occur in practice during construction? (0-1)	Mandatory inspections are not always done in practice during construction; Mandatory inspections are done most of the time during construction.	0

How does **Karachi, Pakistan** score on the building quality control index (0-15)?

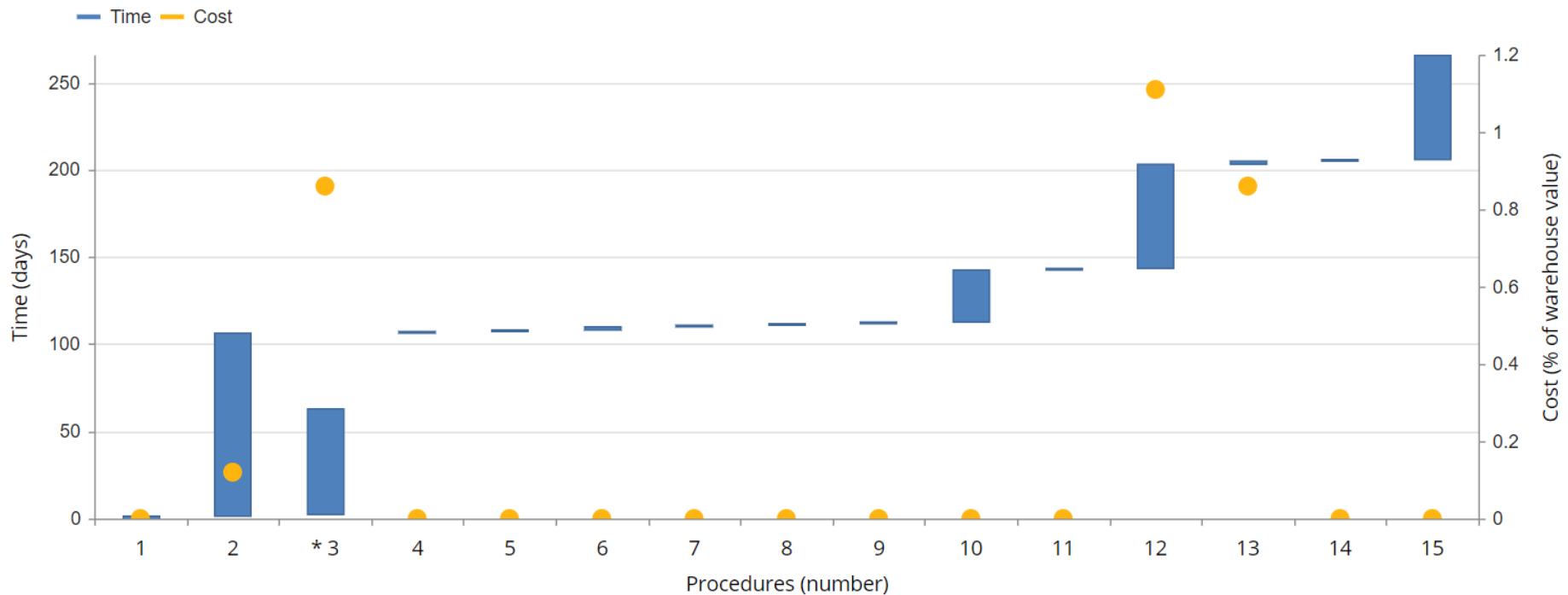
Quality control after construction (0-3)		Answer	3
1. Is there a final inspection required by law to verify that the building was built in accordance with the approved plans and regulations? (0-2)	Yes, final inspection is done by government agency;		2
2. Do legally mandated final inspections occur in practice? (0-1)	Final inspection always occurs in practice.		1
Liability and insurance regimes (0-2)		Answer	1.5
1. Which parties (if any) are held liable by law for structural flaws or problems in the building once it is in use? (0-1)	Construction company.		0.5
2. Which parties (if any) are required by law to obtain an insurance policy to cover possible structural flaws or problems in the building once it is in use? (0-1)	Construction company; Insurance is commonly taken in practice.		1
Professional certifications (0-4)		Answer	4
1. What are the qualification requirements for the professional responsible for verifying that the architectural plans or drawings are in compliance with existing building regulations? (0-2)	Minimum number of years of experience; University degree in architecture or engineering; Being a registered architect or engineer;		2
2. What are the qualification requirements for the professional who supervises the construction on the ground? (0-2)	Minimum number of years of experience; University degree in engineering, construction or construction management;		2

How did Lahore, Pakistan perform on dealing with construction permits in *Doing Business 2018*?



Indicator	Lahore	South Asia	OECD high income	Overall Best Performer
Procedures (number) ⓘ	15	16.0	12.5	7.00 (Denmark)
Time (days) ⓘ	266	193.9	154.6	27.5 (Korea, Rep.)
Cost (% of warehouse value) ⓘ	3.0	17.6	1.6	0.10 (5 Economies)
Building quality control index (0-15) ⓘ	11.0	8.7	11.4	15.00 (3 Economies)

Dealing with Construction Permits in Lahore, Pakistan— procedures, time and cost



* This symbol is shown beside procedure numbers that take place simultaneously with the previous procedure.

Source: Doing Business database.

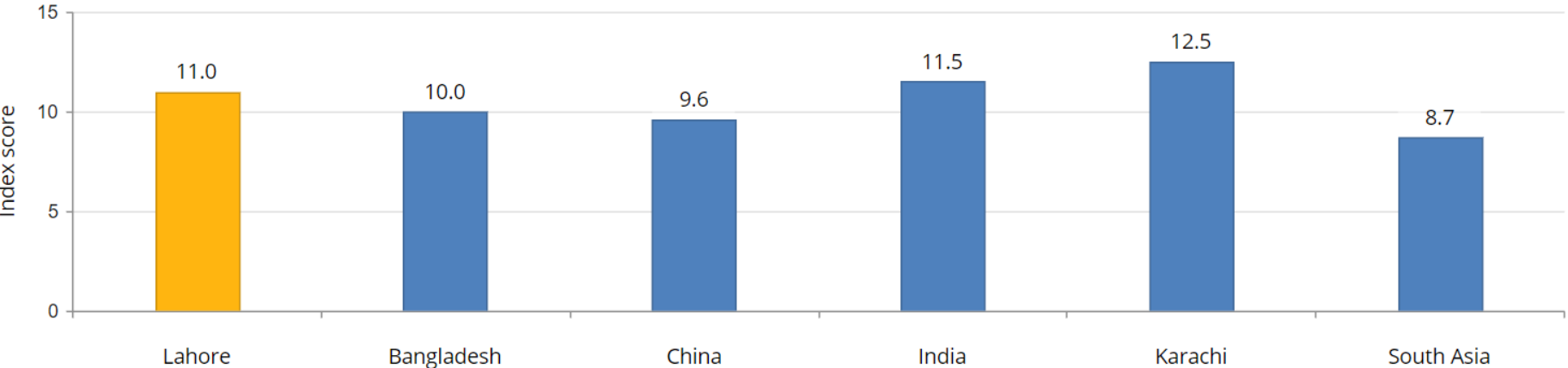
Procedures, time and cost to deal with construction permits in Lahore, Pakistan

No.	Procedure	Time to complete	Associated Costs
1	Obtain Fard (letter from concerned authority confirming the land title) from the Land Revenue Management Information System	2 days	PKR 150
2	Obtain a No Objection Certificate on the Environmental Impact Assessment from the Environmental Protection Agency	105 days	PKR 10,000
3	Obtain a building permit	60 days	PKR 70,000
4	Notify the local city government (LDA) in writing of the completion of foundations	1 day	No Charge
5	Receive foundations work inspection from the Lahore Development Authority (LDA)	1 day	No Charge
6	Submit the first floor Certificate Form to the Lahore Development Authority (LDA)	1 day	No Charge
7	Receive first floor slab casting inspection from the Lahore Development Authority (LDA)	1 day	No Charge
8	Submit the second floor Certificate Form to the Lahore Development Authority (LDA)	1 day	No Charge
9	Receive second floor slab casting inspection from the Lahore Development Authority (LDA)	1 day	No Charge

Procedures, time and cost to deal with construction permits in Lahore, Pakistan

No.	Procedure	Time to complete	Associated Costs
10	Request assessment copy of property unit from the Excise and Taxation Department	30 days	No Charge
11	Receive inspection from the Excise and Taxation Department and obtain the assessment copy of property unit	1 day	No Charge
12	Request water and sewerage connection	60 days	PKR 90,000
13	Apply for completion certificate and request final inspection	1 day	PKR 70,000
14	Receive Final Inspection	1 day	No Charge
15	Receive completion certificate from the Lahore Development Authority (LDA)	60 days	No Charge

Dealing with Construction Permits in [Lahore, Pakistan](#) and selected comparator economies – building quality index



Source: Doing Business database.

How does Lahore, Pakistan score on the building quality control index (0-15)?

Lahore, Pakistan scores 11 on the building quality control index in *Doing Business 2018*

Quality of building regulations (0-2)	Answer	2
1. How accessible are building laws and regulations in your economy? (0-1)	Available online; Free of charge.	1
2. Which requirements for obtaining a building permit are clearly specified by the building regulations or by any accessible website, brochure or pamphlet? (0-1)	List of required documents; Fees to be paid; Required pre-approvals	1
Quality control before construction (0-1)	Answer	1
1. Which third-party entities are required by law to verify that the building plans are in compliance with existing building regulations? (0-1)	Licensed architect; Licensed engineer.	1
Quality control during construction (0-3)	Answer	2
1. What types of inspections (if any) are required by law to be carried out during construction? (0-2)	Inspections by in-house engineer; Inspections at various phases.	1
2. Do legally mandated inspections occur in practice during construction? (0-1)	Mandatory inspections are always done in practice.	1

How does Lahore, Pakistan score on the building quality control index (0-15)?

Quality control after construction (0-3)	Answer	2
1. Is there a final inspection required by law to verify that the building was built in accordance with the approved plans and regulations? (0-2)	Yes, final inspection is done by government agency; Final inspection is not required by law	2
2. Do legally mandated final inspections occur in practice? (0-1)	Final inspection does not always occur in practice; Final inspection occurs most of the time	0
Liability and insurance regimes (0-2)	Answer	0
1. Which parties (if any) are held liable by law for structural flaws or problems in the building once it is in use? (0-1)	No party is held liable under the law.	0
2. Which parties (if any) are required by law to obtain an insurance policy to cover possible structural flaws or problems in the building once it is in use? (0-1)	No party is required by law to obtain insurance .	0
Professional certifications (0-4)	Answer	4
1. What are the qualification requirements for the professional responsible for verifying that the architectural plans or drawings are in compliance with existing building regulations? (0-2)	Minimum number of years of experience; University degree in architecture or engineering; Being a registered architect or engineer.	2
2. What are the qualification requirements for the professional who supervises the construction on the ground? (0-2)	Minimum number of years of experience; University degree in architecture or engineering; Being a registered architect or engineer.	2

THANK YOU!

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