

*A World Bank Group Flagship Report*



# Doing Business 2018

## Dealing with Construction Permits



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DECIG

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- 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 Brazil



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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 **5<sup>th</sup> 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](http://www.competitivealternatives.com))

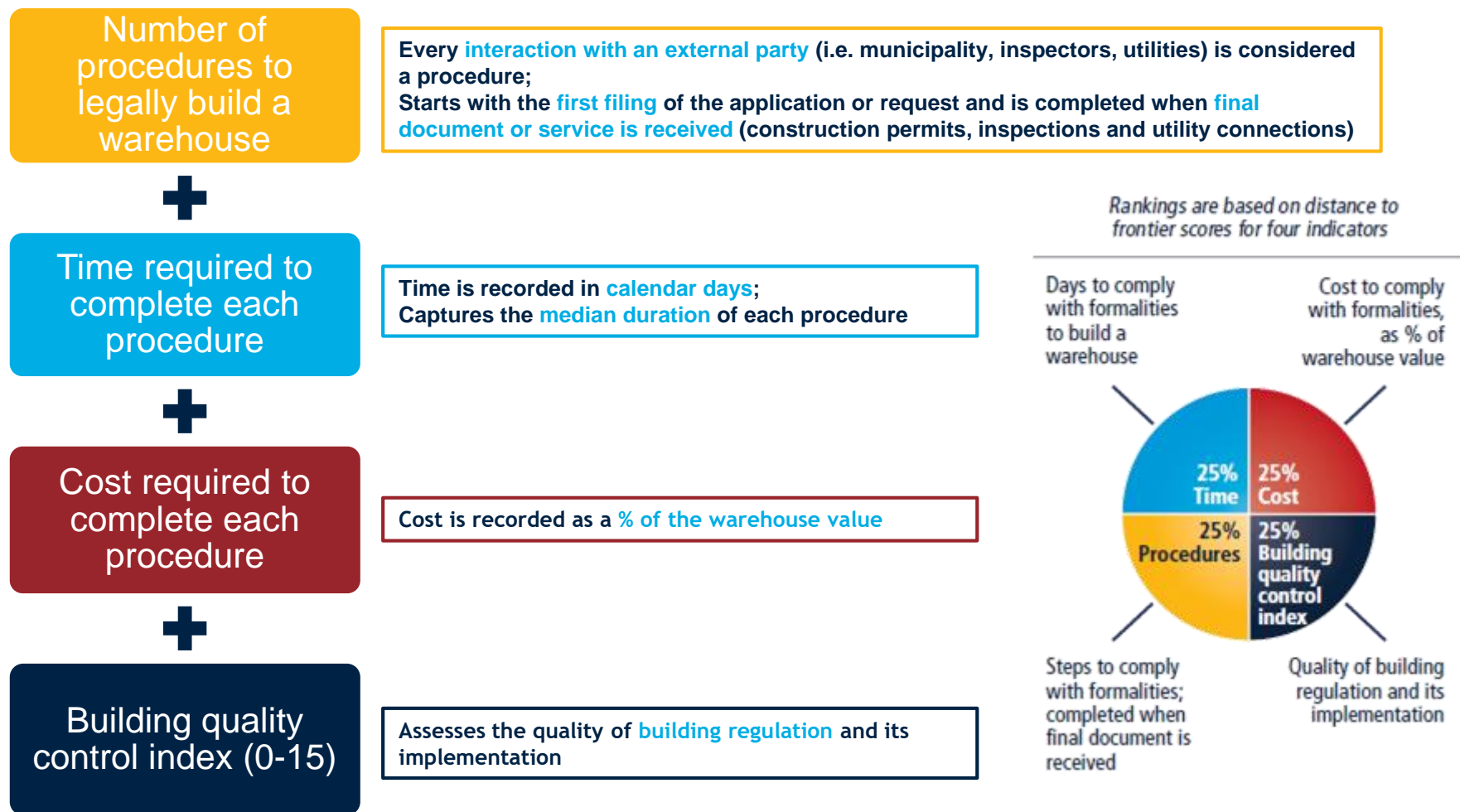
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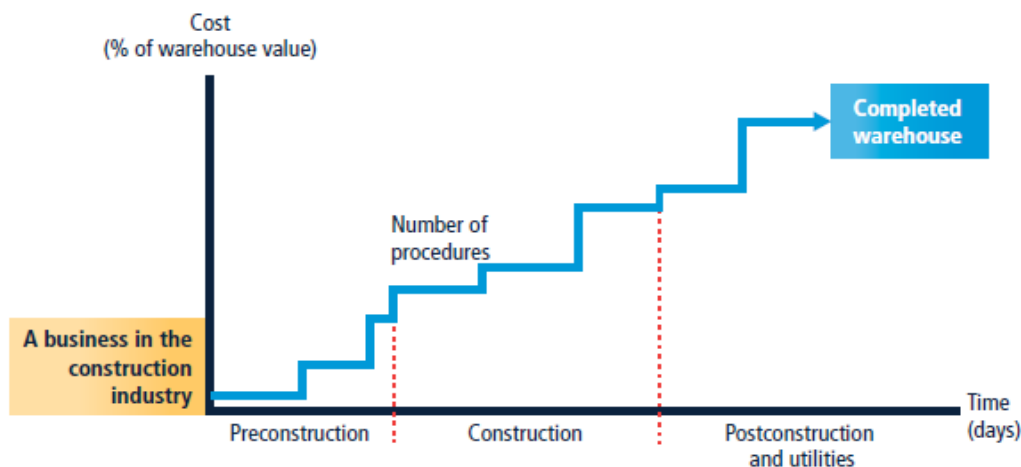
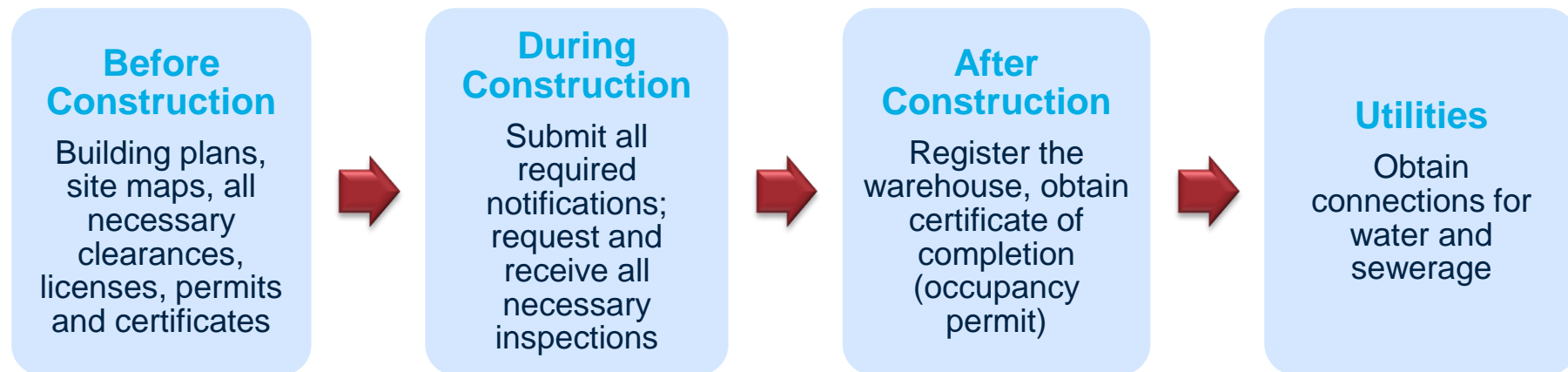
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# What does Dealing with Construction Permits **measure**?



# 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"><li>• Is a <b>limited liability company</b>;</li><li>• 100% <b>domestically</b> and <b>privately</b> owned;</li><li>• Has 5 owners, none of whom is a legal entity;</li><li>• Is <b>fully licensed</b> and insured to carry out construction projects;</li><li>• Has <b>60 builders</b> and other employees, all of them <b>nationals</b> with the technical expertise and professional experience necessary to obtain construction permits and approvals.</li><li>• Has a <b>certified architect</b> and a <b>certified engineer</b>, both registered with the respective association, where available.</li></ul>	<ul style="list-style-type: none"><li>• Will be used for <b>general storage activities</b> (e.g., books);</li><li>• 2 stories, 1,300.6 square meters;</li><li>• Located on a land plot of 929 square meters, 100% owned by BuildCo;</li><li>• Located in the economy's <b>largest business city</b> (periurban area, within city limits);</li><li>• Construction costs valued at 50 times income per capita.</li></ul>	<ul style="list-style-type: none"><li>• <b>150 meters</b> from the existing water source and sewer tap. If there is no water delivery infrastructure in the economy, a borehole will be dug.</li></ul>

## 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



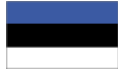
Hong Kong SAR, China



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.

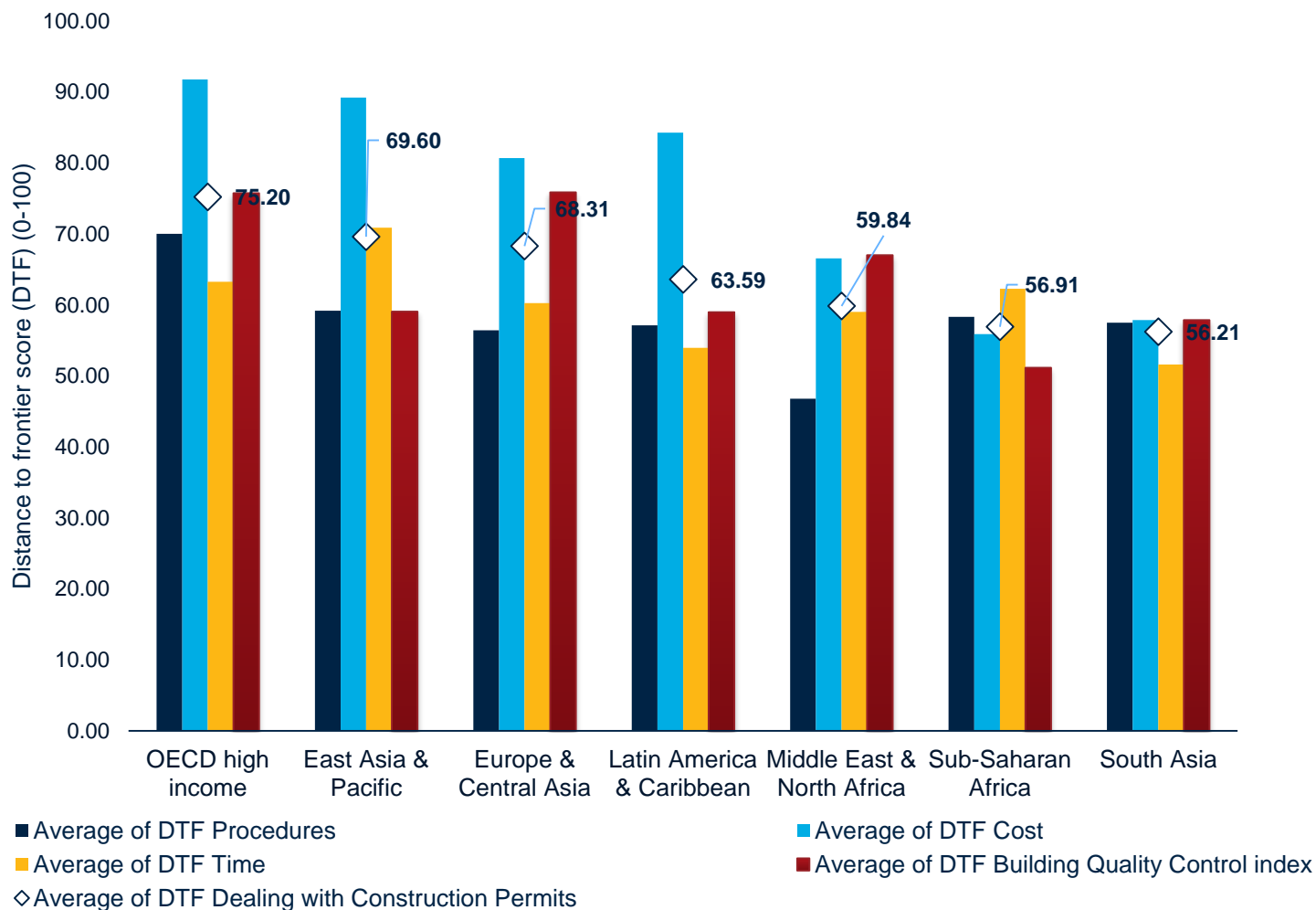
# Who reformed in Dealing with Construction Permits in 2016/17?

Feature	Economies	Some highlights
<b>Reduced time for processing permit applications</b>	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 <b>reduced the time</b> it takes to obtain technical conditions and the building permit. Niger introduced <b>new rules to obtain a water connection</b> 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 <b>outsourced the design and construction of sewage connection</b> works to five private companies thereby reducing the time to provide sewage connection.
<b>Streamlined procedures</b>	Brunei Darussalam; Gabon; Niger; Nigeria Lagos; Uzbekistan	Brunei Darussalam issued and implemented the Building Guidelines and Requirement 2017, <b>eliminating the requirement to obtain a hoarding permit</b> , and to submit both the commencement and completion notice to the one stop-shop. Gabon instituted an <b>internal pre-approval meeting</b> 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 <b>streamlined its internal processes and set up a building permit commission</b> which meets every Thursday to rule on permit applications.
<b>Adopted new building regulations</b>	Djibouti; El Salvador; Niger; Rwanda; United Arab Emirates; Uzbekistan	Djibouti implemented a decree clearly establishing the <b>decennial liability</b> for all professionals engaged in construction projects. El Salvador introduced new regulations mandating that <b>phased inspections</b> be carried out during construction and that professionals reviewing the building plans and conducting technical inspections during construction have a <b>minimum number of years of experience</b> . 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?

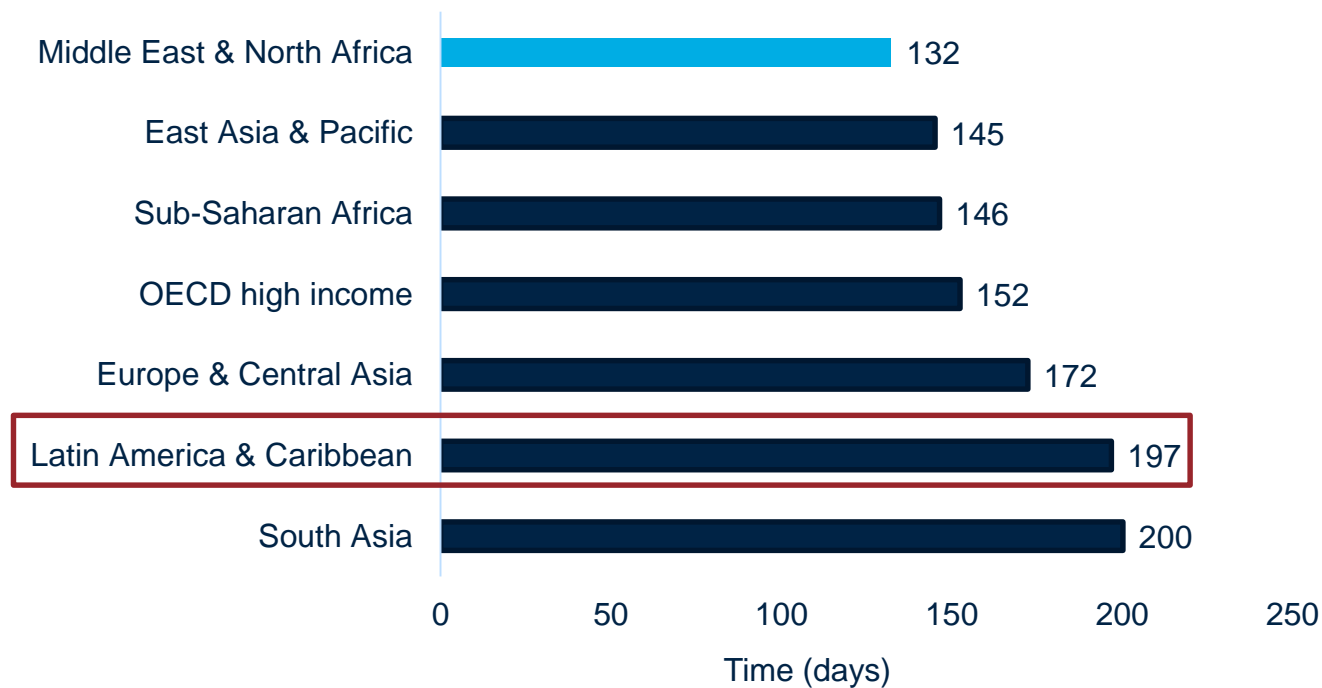
Feature	Economies	Some highlights
<b>Improved transparency</b>	Benin; Cabo Verde; Gabon; Ghana; Niger; Nigeria Lagos; Nigeria Kano; Seychelles	Gabon improved the transparency of information by publishing the legislation related to the construction industry online. Nigeria (Kano and Lagos) increased transparency by publishing online all relevant regulations, fee schedules and pre-application requirements.
<b>Reduced fees</b>	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.
<b>Introduced or improved one-stop shop</b>	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.
<b>Improved or introduced electronic platforms or online services</b>	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

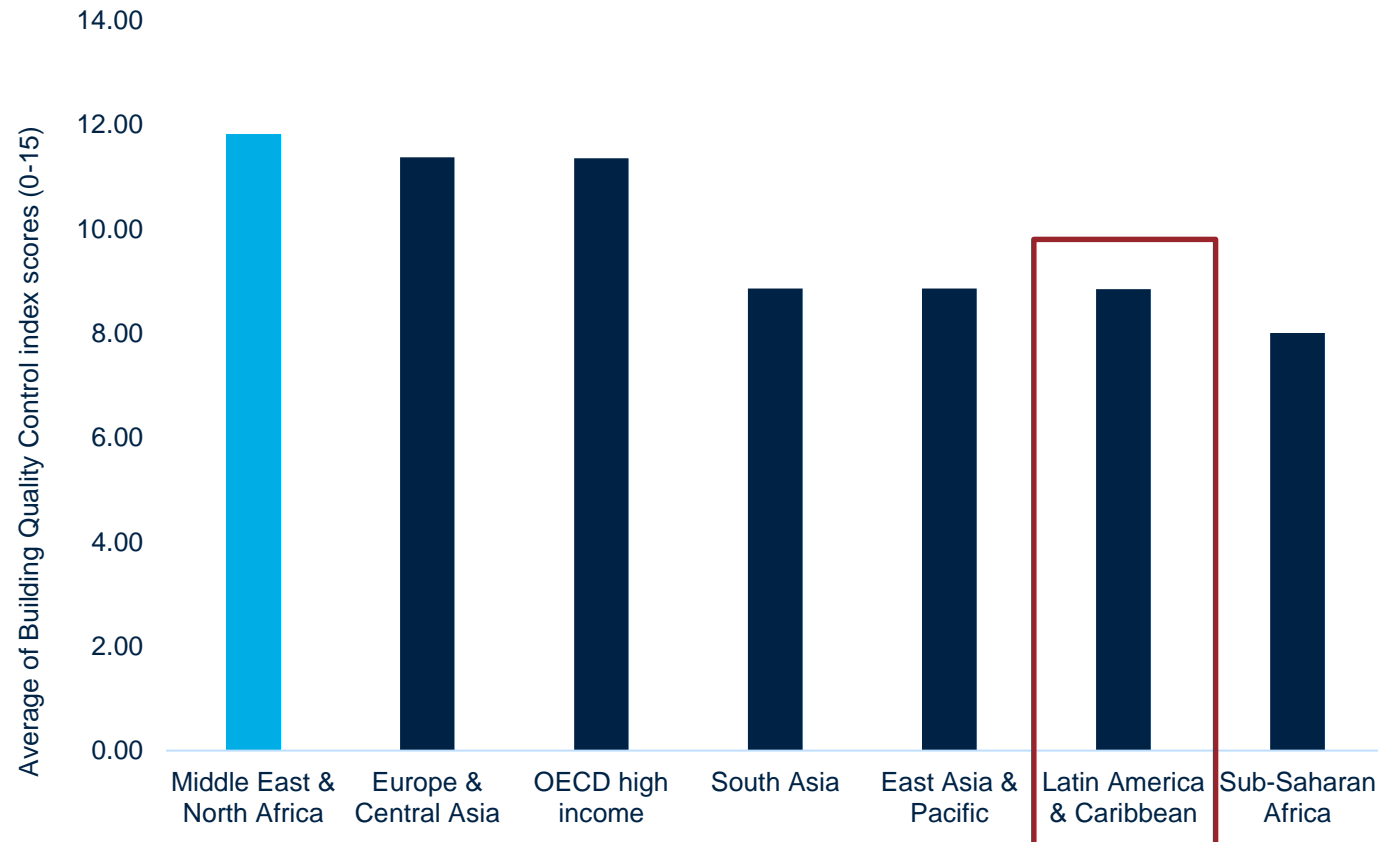
# Dealing with construction permits is the fastest in the Middle East and North Africa



Source: Doing Business database

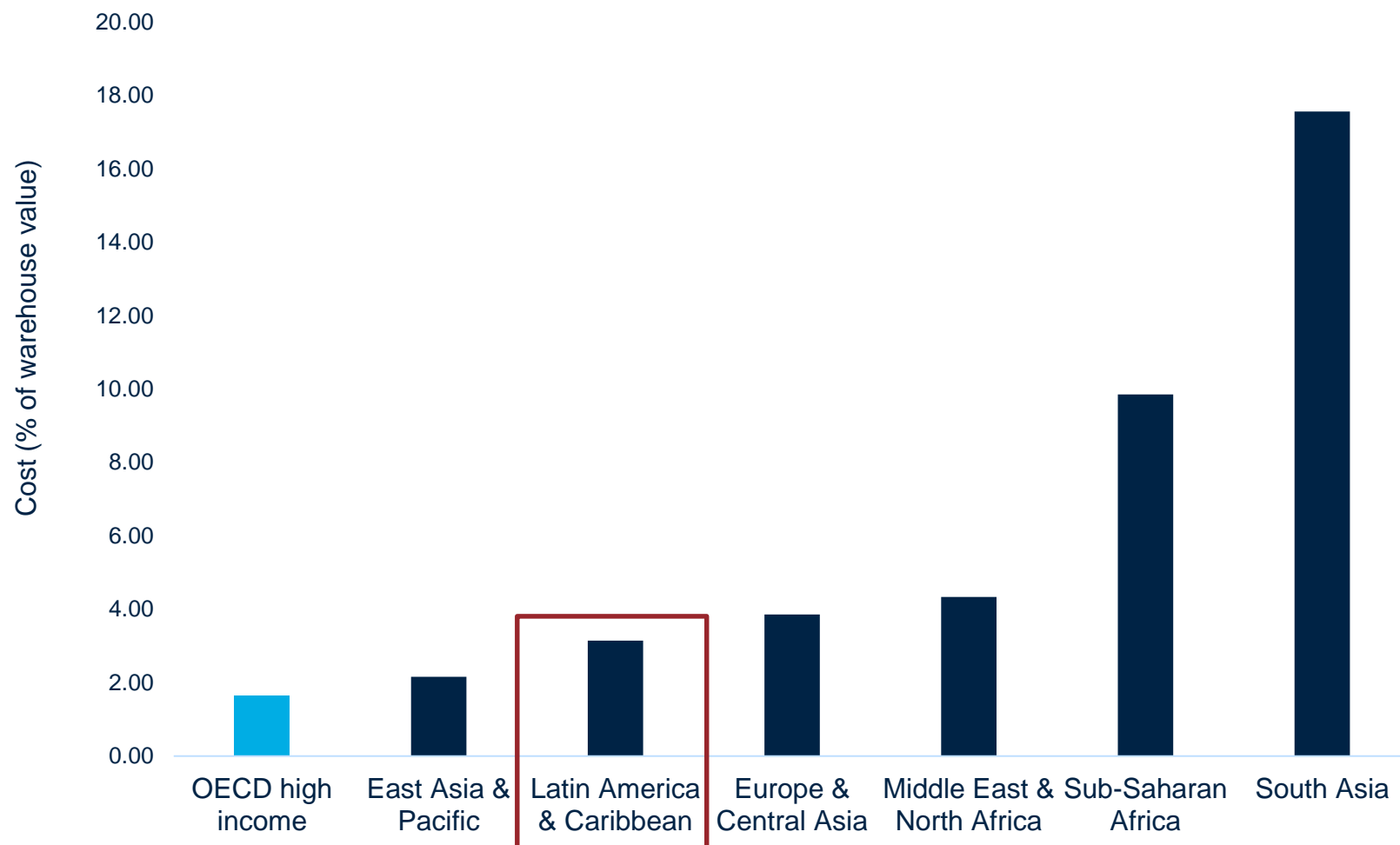


# Middle East & North African economies have the best quality control and safety mechanisms



Source: Doing Business database

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



Source: Doing Business database

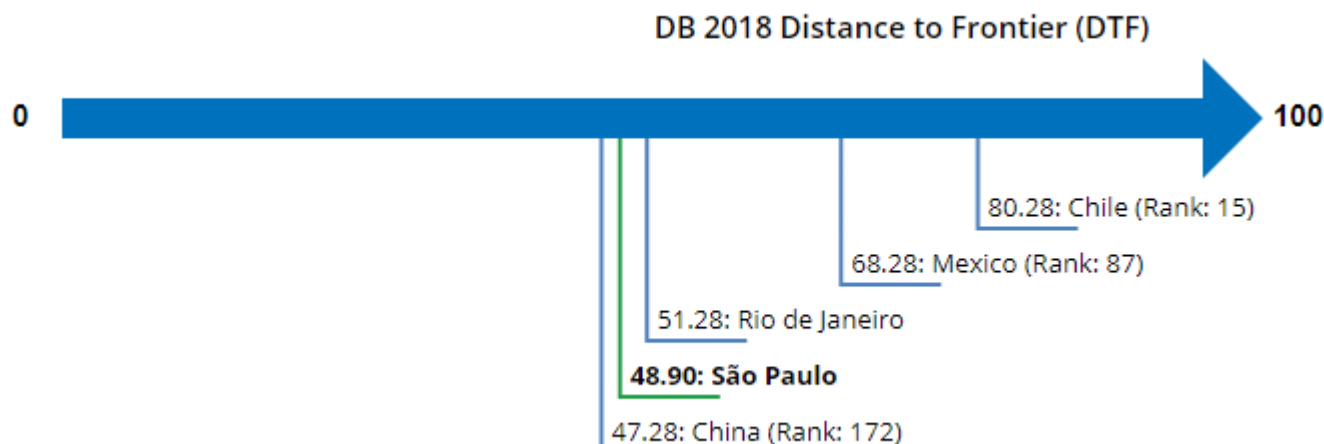
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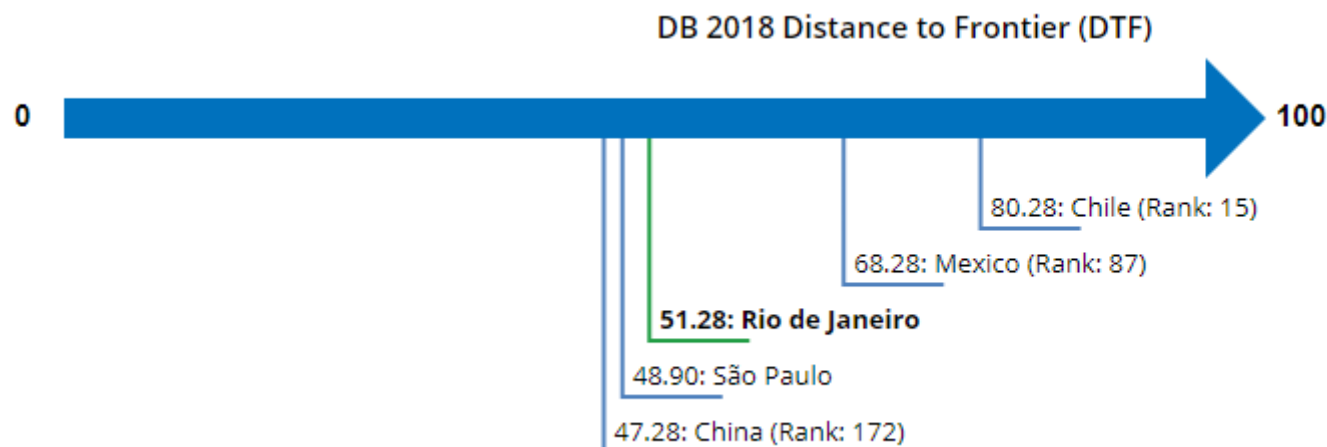
# How did **Brazil (São Paulo)** perform on dealing with construction permits in *Doing Business 2018*?



Indicator	São Paulo	Latin America & Caribbean	OECD high income	Overall Best Performer
Procedures (number) <a href="#">i</a>	20	15.7	12.5	7.00 (Denmark)
Time (days) <a href="#">i</a>	404	191.8	154.6	27.5 (Korea, Rep.)
Cost (% of warehouse value) <a href="#">i</a>	0.9	3.2	1.6	0.10 (5 Economies)
Building quality control index (0-15) <a href="#">i</a>	9.0	8.8	11.4	15.00 (3 Economies)

Source: *Doing Business* database.

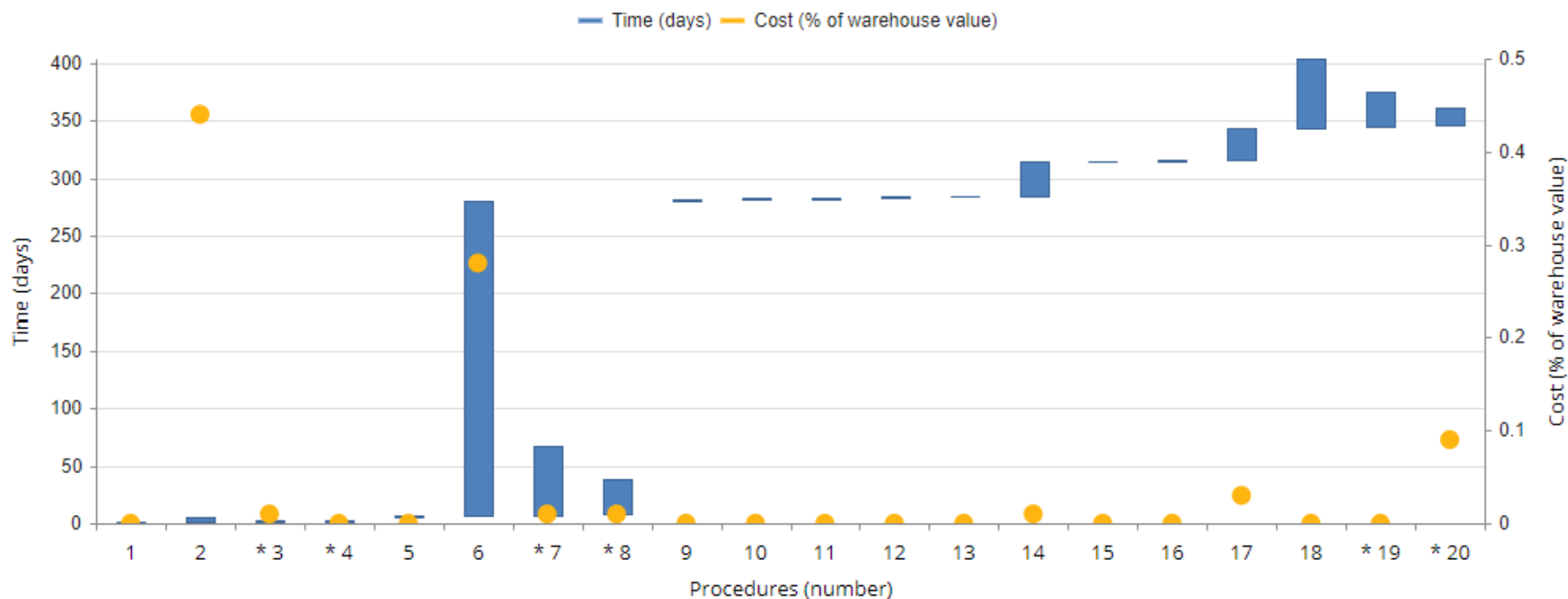
# How did **Brazil (Rio de Janeiro)** perform on dealing with construction permits in *Doing Business 2018*?



Indicator	Rio de Janeiro	Latin America & Caribbean	OECD high income	Overall Best Performer
Procedures (number) ⓘ	18	15.7	12.5	7.00 (Denmark)
Time (days) ⓘ	481	191.8	154.6	27.5 (Korea, Rep.)
Cost (% of warehouse value) ⓘ	0.6	3.2	1.6	0.10 (5 Economies)
Building quality control index (0-15) ⓘ	9.0	8.8	11.4	15.00 (3 Economies)

Source: *Doing Business* database.

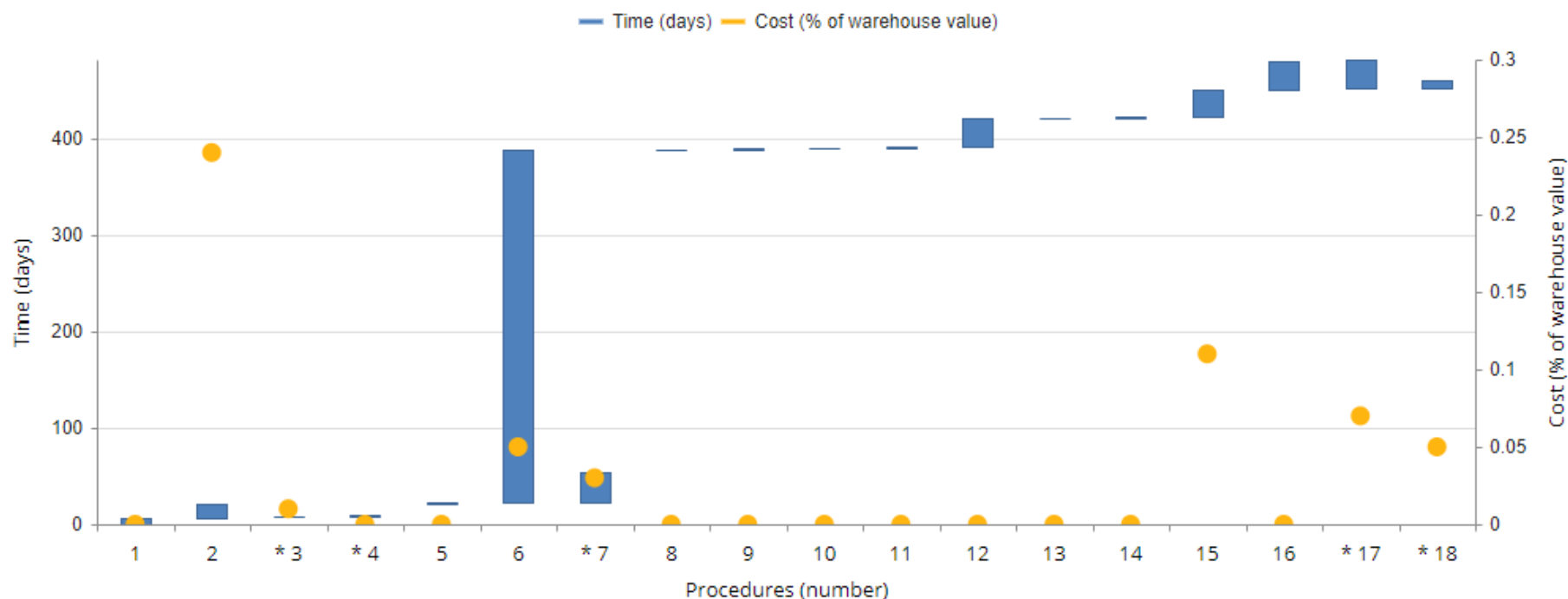
# Dealing with Construction Permits in Brazil (São Paulo) – procedures, time and cost



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

Source: Doing Business database.

# Dealing with Construction Permits in Brazil (Rio de Janeiro) – 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 Brazil (São Paulo)

No.	Procedure	Time to complete	Associated Costs
1	Request and obtain proof of land ownership from Real Estate Registry	1 day	BRL 41
2	Obtain results of topographical study	5 days	BRL 6,500
3*	Obtain Technical Term of Responsibility –ART	0.5 days	BRL 215
4*	Request and obtain proof of land tax payment from the Treasury Department of the Municipality	0.5 days	no charge
5	Register employees with the Social Security Office	0.5 days	no charge
6	Request and obtain construction approval permit and construction execution permit	274 days	BRL 4,200
7*	Request and obtain equipment operating permit	60 days	BRL 75
8*	Submit project for analysis by Fire Department and obtain report	30 days	BRL 98
9	Receive random inspection from Municipality	1 day	no charge



# Procedures, time and cost to deal with construction permits in Brazil (São Paulo)

No.	Procedure	Time to complete	Associated Costs
10	Receive labor inspection from Labor Public Attorneys' Office	1 day	no charge
11	Submit proof of payment to the Social Security Office	0.5 days	no charge
12	Request inspection from Fire Department	1 day	no charge
13	Receive inspection from the Fire Department	1 day	no charge
14	Obtain Fire Department Certificate (Certificado de Aprovação - AVCB)	29 days	BRL 130
15	Request final inspection from Municipality	1 day	no charge
16	Receive final inspection from Municipality	1 day	no charge
17	Obtain certificate of occupancy ("Habite-se")	28 days	BRL 460

# Procedures, time and cost to deal with construction permits in Brazil (São Paulo)

No.	Procedure	Time to complete	Associated Costs
18	Request and obtain operation license	60 days	BRL 25
19*	Request and connect to water and sewage	30 days	No charge
20*	Register building with the Real Estate Registry	15 days	BRL 1,273

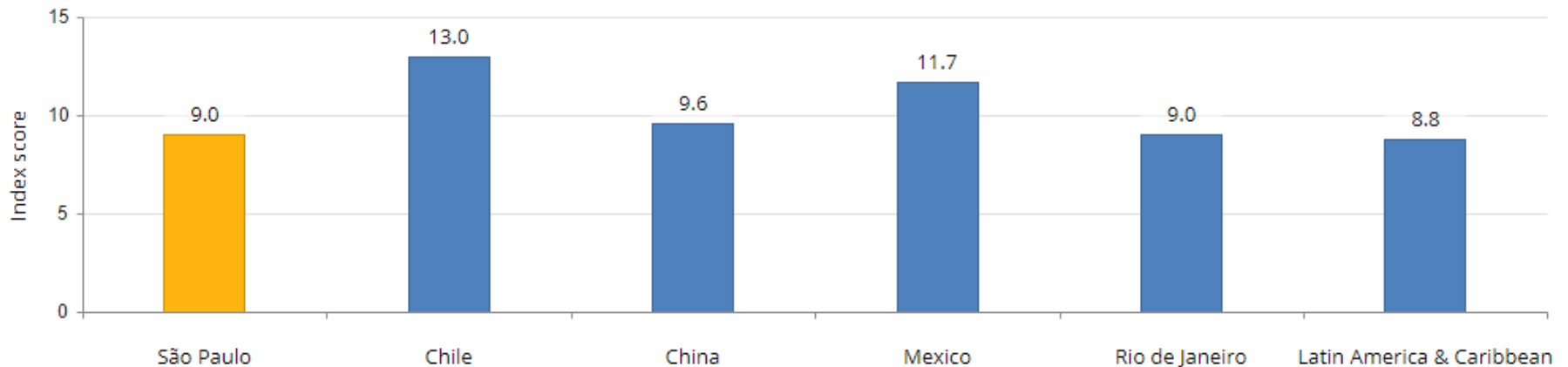
# Procedures, time and cost to deal with construction permits in Brazil (Rio de Janeiro)

No.	Procedure	Time to complete	Associated Costs
1	Request and obtain proof of land ownership from the Real Estate Registry	7 days	BRL 73
2	Obtain a topographic map	15 days	BRL 3,500
3*	Obtain Technical Term of Responsibility –ART	0.5 days	BRL 215
4*	Request and obtain proof of land tax payment from the Treasury Department of the Municipality	0.5 days	no charge
5	Register employees with the Social Security Office	0.5 days	no charge
6	Request and obtain construction approval permit and construction execution permit	365 days	BRL 805
7*	Submit project for analysis by Fire Department and obtain report	30 days	BRL 375
8	Receive labor inspection from Labor Public Attorneys' Office	1 day	no charge

# Procedures, time and cost to deal with construction permits in Brazil (Rio de Janeiro)

No.	Procedure	Time to complete	Associated Costs
9	Submit proof of payment to the Social Security Office	0.5 days	no charge
10	Request inspection from Fire Department	1 day	no charge
11	Receive inspection from Fire Department	1 day	no charge
12	Obtain Fire Department Certificate (Certificado de Aprovação - AVCB)	29 days	BRL 71
13	Request final inspection from Municipality	1 day	no charge
14	Receive final inspection from Municipality	1 day	no charge
15	Obtain certificate of occupancy ("Habite-se")	28 days	BRL 1,610
16	Request and connect to water and sewage	30 days	no charge
17*	Register building with the Real Estate Registry	30 days	BRL 1,094
18*	Request and obtain operation license	7 days	BRL 803

# Dealing with Construction Permits in Brazil and selected comparator economies – building quality index



Source: Doing Business database.

# How does **Brazil** score on the building quality control index (0-15)?

Saudi Arabia scores **9** 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	0
1. What types of inspections (if any) are required by law to be carried out during construction? (0-2)	Inspections by in-house engineer; Unscheduled inspections;	0
2. Do legally mandated inspections occur in practice during construction? (0-1)	Mandatory inspections are always done in practice (Sao Paulo)	0

# How does **Brazil** 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
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 law		1
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	2
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)	University degree in architecture or engineering; Being a registered architect or engineer; Passing a certification exam.		1
2. What are the qualification requirements for the professional who supervises the construction on the ground? (0-2)	University degree in engineering, construction or construction management; Being a registered architect or engineer.		1

# THANK YOU!

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