

2007 2012 2011  
 2005 2009 2004  
 2008 2006 2010 2013

- Dealing with construction permits is easiest in Hong Kong SAR, China, where it takes 6 procedures and 67 days to complete this process.
- From June 2011 to June 2012 *Doing Business* recorded 20 reforms making it easier to deal with construction permits.
- Taiwan, China, made the biggest improvement in the ease of dealing with construction permits in the past year.
- FYR Macedonia has advanced the furthest toward the frontier in regulatory practice in construction permitting since 2005.
- Among regions, Eastern Europe and Central Asia has made the biggest improvements in the ease of dealing with construction permits since 2005.
- Introducing or improving one-stop shops was among the most common features of construction permitting reforms in the past 8 years.

For more information on good practices and research related to dealing with construction permits, visit <http://www.doingbusiness.org/data/exploretopics/dealing-with-construction-permits>. For more on the methodology, see the section on dealing with construction permits in the data notes.

## Dealing with construction permits

Construction regulation matters for public safety. If procedures are too complicated or costly, builders tend to proceed without a permit.<sup>1</sup> By some estimates 60–80% of building projects in developing economies are undertaken without the proper permits and approvals.<sup>2</sup> Construction regulation also matters for the health of the building sector and the economy as a whole. According to a recent study, the construction industry accounts on average for 6.5% of GDP in OECD economies.<sup>3</sup> Good regulations help ensure the safety standards that protect the public while making the permitting process efficient, transparent and affordable.

To measure the ease of dealing with construction permits, *Doing Business* records the procedures, time and cost required for a small to medium-size business to obtain all the necessary approvals to build a simple commercial warehouse and connect it to water, sewerage and a fixed telephone line (table 10.1). The case study includes all types of inspections and certificates needed before, during and after construction of the warehouse. To make the data comparable across 185 economies, the case study assumes that the warehouse is located in the periurban area of the largest business city, is not in a special economic or industrial zone and will be used for general storage activities.

### WHO REFORMED IN DEALING WITH CONSTRUCTION PERMITS IN 2011/12?

From June 2011 to June 2012 *Doing Business* recorded 20 reforms making it easier to deal with construction permits (table 10.2). Six others made the process

TABLE 10.1 Where is dealing with construction permits easiest—and where most difficult?

| Easiest                        | RANK | Most difficult       | RANK |
|--------------------------------|------|----------------------|------|
| Hong Kong SAR, China           | 1    | Montenegro           | 176  |
| Singapore                      | 2    | Azerbaijan           | 177  |
| Georgia                        | 3    | Russian Federation   | 178  |
| Marshall Islands               | 4    | Serbia               | 179  |
| St. Vincent and the Grenadines | 5    | Tajikistan           | 180  |
| New Zealand                    | 6    | China                | 181  |
| Bahrain                        | 7    | India                | 182  |
| Denmark                        | 8    | Ukraine              | 183  |
| Taiwan, China                  | 9    | Albania <sup>a</sup> | 185  |
| Grenada                        | 10   | Eritrea <sup>a</sup> | 185  |

Note: Rankings are the average of the economy's rankings on the procedures, time and cost to comply with formalities to build a warehouse. See the data notes for details.

a. Albania and Eritrea are both "no practice" economies with barriers preventing private builders from legally obtaining a building permit. They are tied in the ranking.

Source: *Doing Business* database.

longer and costlier. East Asia and the Pacific, Latin America and the Caribbean, OECD high-income economies and Sub-Saharan Africa had the largest number making it easier, all with 4, followed by Eastern Europe and Central Asia with 3 and South Asia with 1. The Middle East and North Africa implemented no major regulatory improvements in the area of dealing with construction permits in 2011/12.

Taiwan, China, made the biggest improvement in the ease of dealing with construction permits in the past year (figure 10.1). By early 2012 the city of Taipei had finished implementing a single window for preconstruction approvals and

**TABLE 10.2** Who made dealing with construction permits easier in 2011/12— and what did they do?

| Feature  | Economies   | Some highlights  |
|--|---|--|
| Streamlined procedures                           | Burundi; China; Costa Rica; Netherlands; Panama; Peru; Portugal; Russian Federation | Burundi eliminated the requirement to obtain a clearance from the Ministry of Health and reduced the cost of the geotechnical study.                   |
| Reduced time for processing permit applications  | Benin; Burundi; Greece; India; Malaysia; Norway; Portugal                           | India implemented strict time limits at the municipality for processing building permits.  |
| Introduced or improved one-stop shop             | Brunei Darussalam; Malaysia; Taiwan, China  | Taiwan, China, introduced a risk-based, self-regulatory inspection system and improved operational features of its one-stop shop for building permits. |
| Reduced fees                                     | Republic of Congo; Guinea; Montenegro   | The Republic of Congo reduced the cost of first-time registration of the building.   |
| Improved electronic platforms or online services | Costa Rica; Netherlands   | The Netherlands merged several types of approvals and implemented online application systems.  |
| Introduced risk-based approvals                  | Guatemala; Turkey   | Guatemala introduced a risk-based approval system for building permits.  |

Source: Doing Business database.

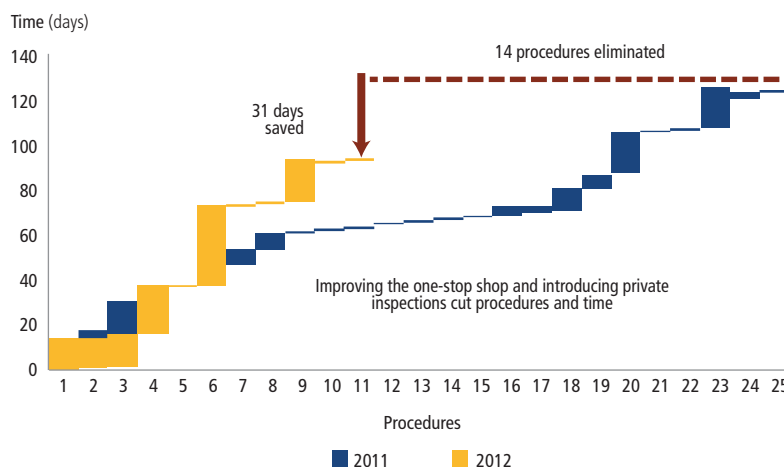
another for postconstruction approvals in its one-stop shop. In addition, authorities issued new rules on private inspections. These allow builders to perform inspections during the construction of lower-risk commercial buildings with fewer than 5 floors. The changes eliminated 14 procedures and 31 days from the process of dealing with construction permits.

## WHAT HAVE WE LEARNED FROM 8 YEARS OF DATA?

In the past 8 years 83 economies around the world implemented 146 reforms

making it easier to deal with construction permits (figure 10.2). Eastern Europe and Central Asia had the most, with 39, followed by Sub-Saharan Africa (33), Latin America and the Caribbean (22), OECD high-income economies (22), East Asia and the Pacific (16), the Middle East and North Africa (13) and South Asia (1).

Economies in Eastern Europe and Central Asia have achieved the biggest time savings since 2005, reducing the time to deal with construction permits by 88 days on average (figure 10.3).

**FIGURE 10.1** Taiwan, China, made dealing with construction permits faster and easier

Source: Doing Business database.

**TABLE 10.3** Who makes dealing with construction permits easy—and who does not?

| Procedures (number)            |                |                    |    |
|--------------------------------|----------------|--------------------|----|
| Fewest                         |                | Most               |    |
| Hong Kong SAR, China           | 6              | Azerbaijan         | 28 |
| New Zealand                    | 6              | Guinea             | 29 |
| St. Lucia                      | 7              | Philippines        | 29 |
| Sweden                         | 7              | Poland             | 29 |
| Colombia                       | 8              | Kazakhstan         | 32 |
| Denmark                        | 8              | Czech Republic     | 33 |
| Jamaica                        | 8              | El Salvador        | 33 |
| Spain                          | 8              | India              | 34 |
| St. Vincent and the Grenadines | 8              | Malaysia           | 37 |
| Thailand                       | 8 <sup>a</sup> | Russian Federation | 42 |

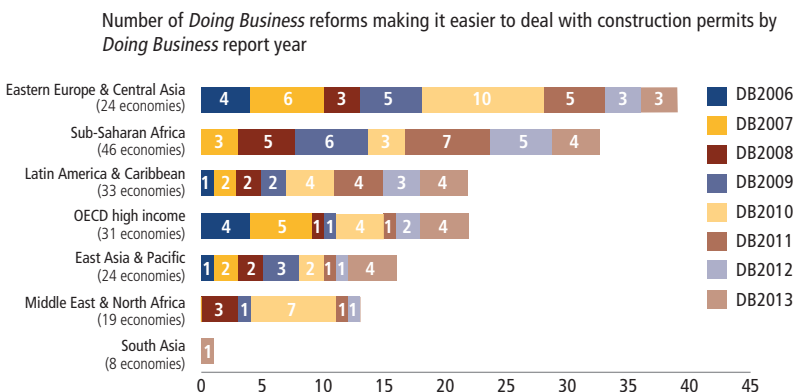
| Time (days)          |    |               |       |
|----------------------|----|---------------|-------|
| Fastest              |    | Slowest       |       |
| Singapore            | 26 | Mozambique    | 377   |
| United States        | 27 | Venezuela, RB | 381   |
| Korea, Rep.          | 29 | Barbados      | 416   |
| Bahrain              | 43 | Suriname      | 461   |
| Colombia             | 46 | Brazil        | 469   |
| United Arab Emirates | 46 | Côte d'Ivoire | 475   |
| Vanuatu              | 54 | Zimbabwe      | 614   |
| Qatar                | 62 | Cambodia      | 652   |
| Finland              | 66 | Cyprus        | 677   |
| Hong Kong SAR, China | 67 | Haiti         | 1,129 |

| Cost (% of income per capita) |     |                  |         |
|-------------------------------|-----|------------------|---------|
| Least                         |     | Most             |         |
| Qatar                         | 1.1 | Congo, Dem. Rep. | 1,582.7 |
| Brunei Darussalam             | 4.0 | Niger            | 1,612.8 |
| Trinidad and Tobago           | 5.3 | Zambia           | 1,679.1 |
| St. Kitts and Nevis           | 5.4 | Burundi          | 1,911.9 |
| Hungary                       | 5.7 | Djibouti         | 2,023.6 |
| Slovak Republic               | 7.3 | Mauritania       | 2,796.6 |
| Palau                         | 7.6 | Kosovo           | 2,986.0 |
| Dominica                      | 7.6 | Afghanistan      | 4,308.6 |
| Maldives                      | 8.2 | Zimbabwe         | 4,423.4 |
| Barbados                      | 8.3 | Chad             | 5,106.8 |

a. Five other economies also have 8 procedures for dealing with construction permits: Belize, Grenada, Guyana, Maldives and the Marshall Islands.

Source: Doing Business database.

**FIGURE 10.2 Eastern Europe and Central Asia keeps up its fast pace in construction permitting reforms**



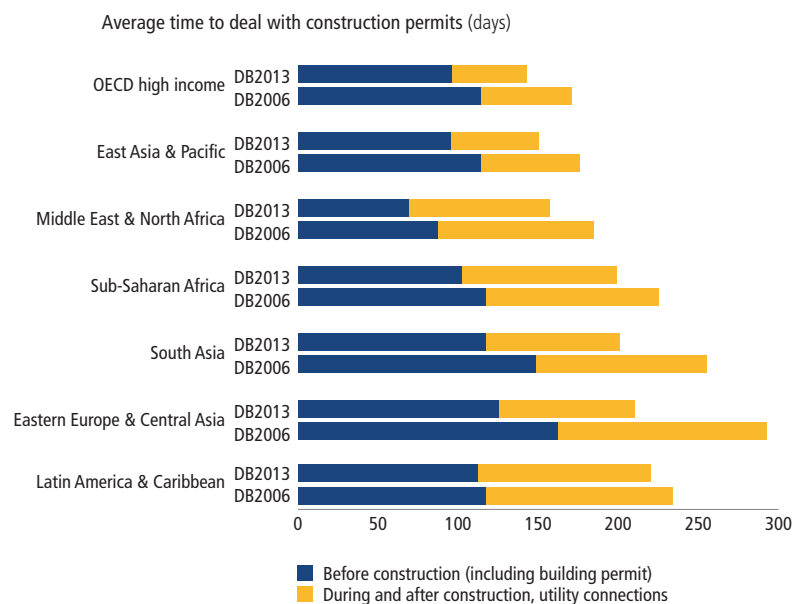
Note: An economy can be considered to have only 1 *Doing Business* reform per topic and year. The data sample for DB2006 (2005) includes 174 economies. The sample for DB2013 (2012) also includes The Bahamas, Bahrain, Barbados, Brunei Darussalam, Cyprus, Kosovo, Liberia, Luxembourg, Malta, Montenegro and Qatar, for a total of 185 economies.

Source: *Doing Business* database.

Among the most difficult changes to implement is the introduction or improvement of a one-stop shop. Construction approval systems usually involve many different agencies. To prevent overlap in their roles and ensure efficiency, many economies have opted to put representatives from many agencies in a single

location. These one-stop shops improve the organization of the review process—not by reducing the number of checks needed but by better coordinating the efforts of the agencies involved. In the past 8 years 18 regulatory reforms were implemented to set up or improve one-stop shops, including the efforts made

**FIGURE 10.3 Biggest time savings in Eastern Europe and Central Asia**



Note: To ensure an accurate comparison, the figure data includes 172 practice economies for both DB2006 (2005) and DB2013 (2012) and uses the regional classifications that apply in 2012. The economies added to the *Doing Business* sample after 2005 and therefore excluded here are The Bahamas, Bahrain, Barbados, Brunei Darussalam, Cyprus, Kosovo, Liberia, Luxembourg, Malta, Montenegro and Qatar. DB2006 data are adjusted for any data revisions and changes in methodology.

Source: *Doing Business* database.

**TABLE 10.4 Who has narrowed the distance to frontier in dealing with construction permits the most since 2005?**

| Most improved         | Improvement in distance to frontier (percentage points) |
|-----------------------|---|
| Macedonia, FYR        | 46<br>(36→82)   |
| Kyrgyz Republic       | 42<br>(39→81)   |
| Tajikistan            | 41<br>(11→52)   |
| Burkina Faso          | 39<br>(43→82)   |
| Nigeria               | 34<br>(44→78)   |
| Georgia               | 31<br>(61→92)   |
| Equatorial Guinea     | 30<br>(45→75)   |
| Hong Kong SAR, China  | 30<br>(67→97)   |
| Guatemala             | 26<br>(51→77)   |
| São Tomé and Príncipe | 26 <sup>a</sup><br>(53→79)                              |

Note: The distance to frontier measure shows how far on average an economy is from the best performance achieved by any economy on each *Doing Business* indicator since 2005—in this case for the dealing with construction permits indicators. The measure is normalized to range between 0 and 100, with 100 representing the best performance (the frontier). The data refer to the 174 economies included in *Doing Business 2006* (2005). Eleven economies were added in subsequent years. The first column lists the top 10 most improved economies in order; the second shows the absolute improvement in the distance to frontier between 2005 and 2012.

a. The Democratic Republic of Congo and Croatia also have an improvement of 26 percentage points.

Source: *Doing Business* database.

by Brunei Darussalam, Malaysia and Taiwan, China, in 2011/12. The 2 regions with the most such reforms are East Asia and the Pacific (with 5) and Eastern Europe and Central Asia (with 5).

Introducing risk-based approval systems is also a complex yet important change. Not all building projects are associated with the same economic or environmental risks. It therefore makes sense to differentiate construction permitting processes to treat buildings according to their risk level and location. This saves time for both entrepreneurs and authorities and allows them to direct their efforts and resources more efficiently. Seventeen regulatory reforms introduced risk-based approvals

in the past 8 years, including those in Guatemala and Turkey in 2011/12. Eastern Europe and Central Asia led the way with 7 such reforms, followed by Latin America and the Caribbean with 4.

Many economies have gone particularly far in closing the gap with the most efficient regulatory systems for dealing with construction permits, such as those in Hong Kong SAR, China, and Georgia (table 10.3). Those making the greatest progress toward the frontier in regulatory practice in this area have been able to do so thanks to a continual effort to

improve regulations. FYR Macedonia has advanced the furthest toward this frontier since 2005 (table 10.4).

Authorities in Skopje implemented 4 reforms making it easier to deal with construction permits, including passing new construction laws, privatizing part of the inspection process and reducing several fees. The changes made a difference for builders in FYR Macedonia. In 2005 complying with all regulatory requirements for constructing the standard warehouse took 20 procedures and 244 days and cost the equivalent of 2,439% of income

per capita. Today it takes 10 procedures and 117 days and costs 518% of income per capita.

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## NOTES

This topic note was written by Marie Lily Delion, Anastasia Shegay, Alejandro Espinosa-Wang and Yucheng Zheng.

1. Moullier 2009.
2. De Soto 2000.
3. OECD 2010.