

Dealing with Construction Permits

Once entrepreneurs have registered a business, what regulations do they face in operating it? To measure such regulation, Doing Business focuses on the construction sector. Construction companies are under constant pressure from government to comply with inspections, with licensing and safety regulations, from customers to be quick and cost-effective. These conflicting pressures point to the tradeoff in building regulation; the tradeoff between protecting people (construction workers, tenants, passersby) and keeping the cost of building affordable.

In many economies, especially poor ones, complying with building regulations is so costly in time and money that many builders opt out. Builders may pay bribes to pass inspections or simply build illegally, leading to hazardous construction. In other economies compliance is simple, straightforward and inexpensive, yielding better results.

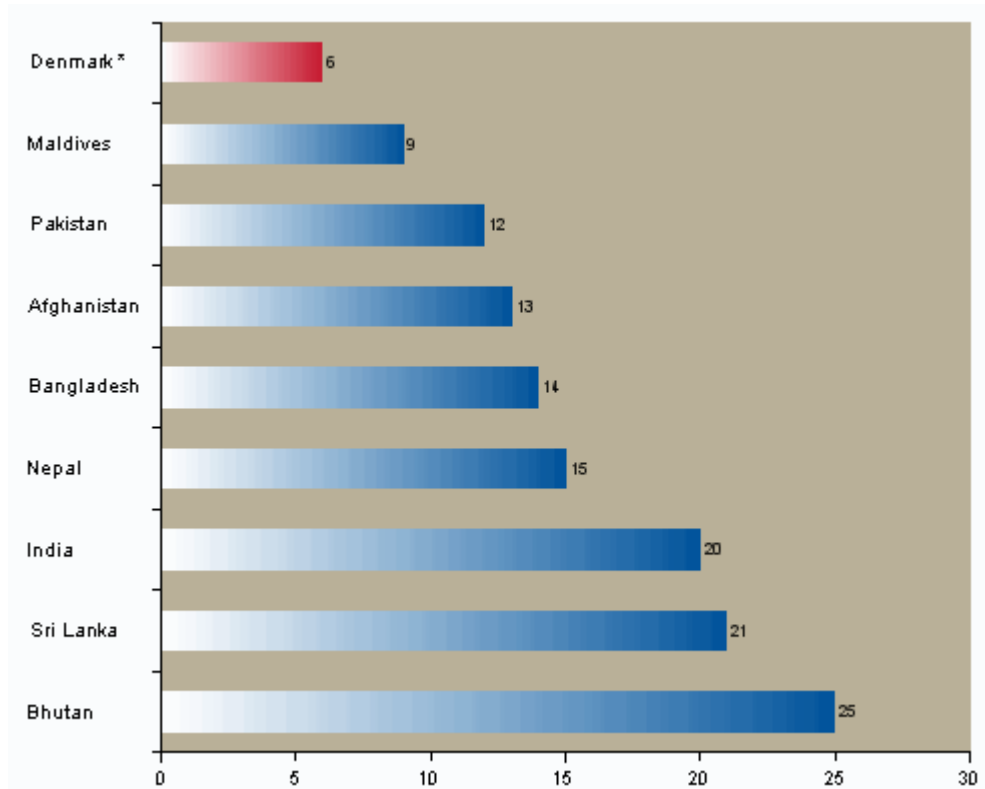
The indicators on dealing with construction permits record all procedures officially required for an entrepreneur in the construction industry to build a warehouse. These include submitting project documents (building plans, site maps) to the authorities, obtaining all necessary licenses and permits, completing all required notifications and receiving all necessary inspections. They also include procedures for obtaining utility connections, such as electricity, telephone, water and sewerage. The time and cost to complete each procedure under normal circumstances are calculated. All official fees associated with legally completing the procedures are included. Time is recorded in calendar days. The survey assumes that the entrepreneur is aware of all existing regulations and does not use an intermediary to complete the procedures unless required to do so by law.

To make the data comparable across economies, several assumptions about the business and its operations are used. The business is a small to medium-size limited liability company, located in the largest business city, domestically owned and operated, in the construction business, with 20 qualified employees. The warehouse to be built:

- Is a new construction (there was no previous construction on the land).
- Has complete architectural and technical plans prepared by a licensed architect.
- Will be connected to electricity, water, sewerage (sewage system, septic tank or their equivalent) and one land phone line. The connection to each utility network will be 32 feet, 10 inches (10 meters) long.
- Will be used for general storage, such as of books or stationery. The warehouse will not be used for any goods requiring special conditions, such as food, chemicals or pharmaceuticals.
- Will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements).

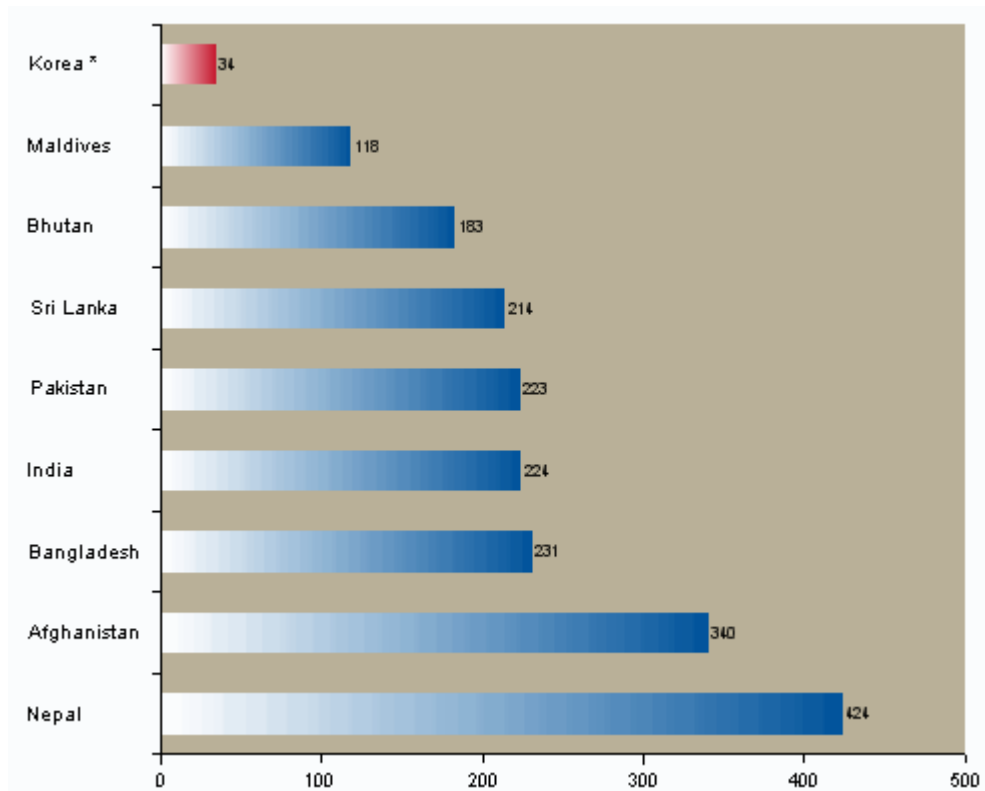
Where the regulatory burden is large, entrepreneurs may tend to move their activity into the informal economy. There they operate with less concern for safety, leaving everyone worse off.

Procedures to deal with construction permits



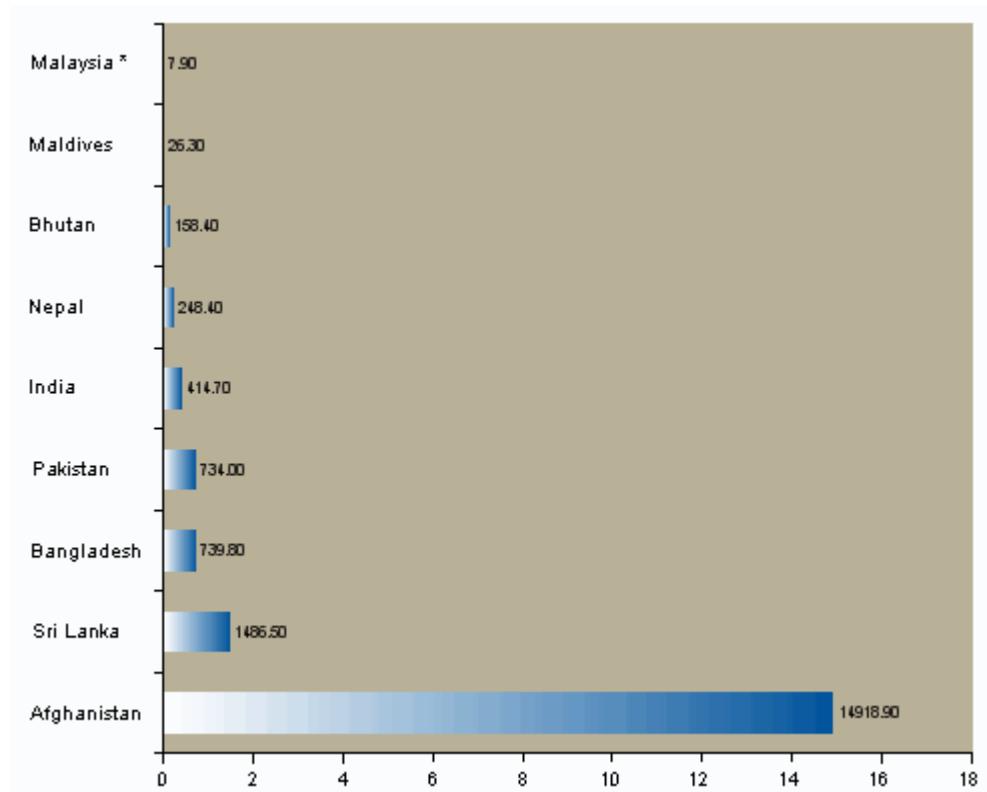
This graph compares the number of procedures required for an entrepreneur to deal with construction permits. * The economy with the fewest procedures is included as a benchmark.

Time to deal with construction permits (days)



This graph compares the number of days required for an entrepreneur to deal with construction permits. * The economy requiring the least time is included as a benchmark.

Cost to deal with construction permits (% of income per capita)



This graph compares the costs to deal with construction permits. * An economy with the lowest cost is included as a benchmark. Brunei, Qatar, Palau, Trinidad and Tobago, St. Kitts and Nevis, and United Arab Emirates also require low costs.