

Session on Dealing with Construction Permits

Knowledge exchange between Malaysia and Lao
PDR



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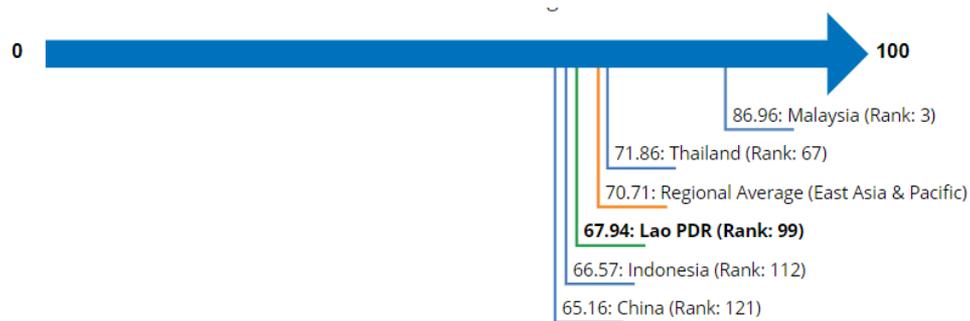
Dealing with Construction Permits in Lao PDR



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What Doing Business data show for Lao PDR (1/3)



| Indicator | Lao PDR | East Asia & Pacific | OECD high income | Best Regulatory Performance |
|---------------------------------------|---------|---------------------|------------------|-----------------------------|
| Procedures (number) | 12 | 15.1 | 12.7 | None in 2017/18 |
| Time (days) | 92 | 133.5 | 153.1 | None in 2017/18 |
| Cost (% of warehouse value) | 4.9 | 1.9 | 1.5 | None in 2017/18 |
| Building quality control index (0-15) | 6.5 | 9.1 | 11.5 | 15.0 (3 Economies) |



What Doing Business data show for Lao PDR (2/3)

| | | | |
|----|--|---------|----------------|
| 1 | Obtain a Soil Test from the State Enterprise <i>Agency : State Enterprise</i> | 11 days | LAK 18,451,948 |
| 2 | Obtain Neighbors Consent for Construction <i>Agency : Village Chief Authority</i> | 5 days | no charge |
| 3 | Hire an external engineer to conduct building inspection <i>Agency : External Engineer</i> | 1 day | LAK 22,860,429 |
| 4 | Purchase the application forms for a building permit <i>Agency : Vientiane Capital Department of Public Works and Transports</i> | 1 day | LAK 25,000 |
| 5 | Request and obtain residence certificate from Village Chief <i>Agency : Village Chief</i> | 1 day | LAK 30,000 |
| 6 | Submit building permit application to the District Construction Division <i>Agency : District Construction Division</i> | 1 day | no charge |
| 7 | Receive setting-out inspection from Department of Urban Planning & Environment <i>Agency : Vientiane Capital Department of Public Works and Transport</i> | 1 day | no charge |
| 8 | Obtain building permit from Vientiane Capital <i>Agency : Vientiane Capital Department of Public Works and Transport</i> | 30 days | LAK 3,251,500 |
| 9 | Receive half completion inspection from Department of Urban Planning & Environment <i>Agency : Department of Urban Planning & Environment</i> | 1 day | no charge |
| 10 | Request and receive final inspection from Committee for Management of Construction <i>Agency : Committee for Management of Construction</i> | 1 day | no charge |
| 11 | Request and receive connection to water and sewage services <i>Agency : Water Supply Authority of Lao PDR (WASA)</i> To obtain a water and sewerage connection to the land where the building will be constructed, BuildCo must enclose the building permit or a correct construction certificate with the application. | 45 days | LAK 3,000,000 |
| 12 | Obtain certificate of completion of building works <i>Agency : Housing and Urban Planning Department</i> | 7 days | no charge |



What Doing Business data show for Lao PDR (3/3)

| Answer | Score | Score |
|---|--|------------|
| Building quality control index (0-15) | | 6.5 |
| Quality of building regulations index (0-2) | | 0.0 |
| How accessible are building laws and regulations in your economy? (0-1) | Not easily accessible. | 0.0 |
| Which requirements for obtaining a building permit are clearly specified in the building regulations or on any accessible website, brochure or pamphlet? (0-1) | List of required documents. | 0.0 |
| Quality control before construction index (0-1) | | 1.0 |
| 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. | 1.0 |
| Quality control during construction index (0-3) | | 2.0 |
| 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. | 1.0 |
| Do legally mandated inspections occur in practice during construction? (0-1) | Mandatory inspections are always done in practice. | 1.0 |
| Quality control after construction index (0-3) | | 3.0 |
| 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. | 2.0 |
| Do legally mandated final inspections occur in practice? (0-1) | Final inspection always occurs in practice. | 1.0 |
| Liability and insurance regimes index (0-2) | | 0.5 |
| Which parties (if any) are held liable by law for structural flaws or problems in the building once it is in use (Latent Defect Liability or Decennial Liability)? (0-1) | Construction company. | 0.5 |
| 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 (Latent Defect Liability Insurance or Decennial Insurance)? (0-1) | No party is required by law to obtain insurance . | 0.0 |
| Professional certifications index (0-4) | | 0.0 |
| 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) | Being a registered architect or engineer. | 0.0 |
| What are the qualification requirements for the professional who supervises the construction on the ground? (0-2) | Being a registered architect or engineer. | 0.0 |

Ongoing reforms and initiatives on DwCP in Laos



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Reforms

1. Decision of Minister on the Construction Management No. 2241/PWT (January 31, 2019) **redefines building categories and streamlines application process.** It determines the authorities involved in the construction permitting process in Vientiane (and elsewhere) depending on the building type.
2. Application **documentation is now available online** free of charge on the website of the provincial department. Applicants no longer need to go to District Construction Division to obtain all the required documentation.
3. The **authority to sign the Building Permit has now been delegated** within the Vientiane Capital.

Corrections claimed

1. **Soil test is not a requirement** and is not done in practice. Per the DB case study scenario, most land-owners would not perform a soil test. This is usually done by builders for quality control purposes in non-developed zones, or in areas that are subject to weather-related risks (e.g. floods, landslides, etc.).
2. The **time for the water connection should be revised** downwards. While the time to get a connection from WASA can admittedly be high, in urban concentrated zones it is typically less time consuming.
3. **Building permit only takes 21 days to issue per KPI**

Future reforms

1. The Lao Government (LG) is working to **introduce a comprehensive building code which states the professional requirements for architects and other parties involved in the design/review of buildings and permit applications.**
 - A comprehensive legal review is to be conducted to identify outdated provisions, loopholes as well as provisions that are not implemented in practice. Government is looking to incorporate guidelines related to potential natural catastrophes (e.g. floods).
2. The LG is looking to **create a council of Architects and Engineers** to regulate the respective professions. Laos lacks a proper accreditation program through which engineers, architect, and planners become authorized to provide professional services to the public.
3. The LG is looking to introduce **legislation on latent defect liability and introduce liability insurance requirement.** In Laos, there are no provisions on latent defects holding architects liable (only on builders). The goal of such provisions is to protect building owners in case a building has design and/or construction. Another area where regulation is silent is on latent defect liability insurance

Learning from Malaysia: key questions



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Q1: How does Malaysia structure its working group (WG) on DwCP?

- How often does the WG meet?
- To what extent is private sector represented in WG?
- How are key issues identified?
- How are reforms and targets decided?
- Does WG have direct access to high level leadership?



Q2: Once reforms are identified, how does Malaysia strategize on implementation?

- What reforms are first implemented? Is priority given to “quick-wins” or high impact reforms?
- Are reforms implemented at a certain stage in the DB cycle?
- Are reforms piloted? If so, how?
- When a new platform is launched, is it opened to just selected projects (e.g. low risk buildings, warehouses) and then launched to a wider audience?



Q3: When a major regulatory/legal change is contemplated, what countries does Malaysia look at in terms of best practice?

- Does Malaysia simply look at top DB performers?
- How are best practiced adapted locally?
- Does Malaysia seek external advice?

[Note: Laos in the next few years is looking to introduce a building code, create a council of architects & engineers, and introduce latent defect liability]



Q4: How has Malaysia dealt with institutional push-back?

- How do you build internal support/consensus for a reform initiative?
- Is there a dispute mechanism?
- How was buy-in created for the One Stop Center?



Q5: How does Malaysia enforce time limits on granting the construction permit (i.e. building approval)?

- Are any incentive mechanisms used?
- How are KL city hall agents held accountable?
- What recourse do developers have if time limit is not respected?

[Note: In Laos, 30 days is dictated by the Prime Minister's Order No. 02 dated February 1, 2018.]



Q6: How does Malaysia communicate reforms to the private sector?

- How are communication campaigns organized?
- What media outlets are used?
- Are workshops organized?
- Are any organizations leveraged (e.g. CoC, Chamber of Architects)?



Q7: How does Malaysia communicate reforms/corrections to the *Doing Business* team?

- What communication channels are used?
- What to do if a gap persists in DB measurements vs on the ground reality?
- How do you ensure quality of contributors?

Thank you



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