

CASE STUDY WORKSHEET: IMPACT ASSESSMENT OF CONSTRUCTION REGULATION

TASK:

1. Read the whole Case Study Worksheet individually to familiarize yourself with the issue and prepare for the group assignment. (15 mins)
2. Work on below exercise in your group. (60 mins)
3. Present your results to the other groups and participate in discussions (all groups). (45 mins)

Exercise:

Identify and classify impacts in terms of the following criteria (list them on a paper):

- Positive or negative (benefits and costs)
- Economic, Social, Environmental, Implementation and Enforcement
- Distributional effects
- Direct Impacts and Indirect Impacts
- Impact on SMEs, Impact on Competition, other strategic sectors or group of population
- Other Impacts

Quantify as many impacts as possible

Make sure impacts can be added together to give an aggregate valuation of total benefits and total costs

If appropriate, consider the spread over time of costs and benefits (not to exceed 5 years)

If appropriate, consider two scenarios (interval) for the value of cost and benefits

List the impacts considered impossible or hard to quantify in the table below the quantified impacts (benefits to benefits and costs to costs)

Use the table below to calculate net benefits

Write the conclusions and recommendations

Present your results on a paper in the table below and answer the questions from other groups and trainers

Table for calculation of net benefits

| Impacts | Option 1 (do nothing) (low scenario – high scenario) | Option 2 (law on authorization of construction works) (low scenario – high scenario) |
|----------------|---|---|
| Total Benefits | | |
| 1. | | |
| 2. | | |
| 3. | | |
| ... | | |
| Total Costs | | |
| 1. | | |
| 2. | | |
| 3. | | |

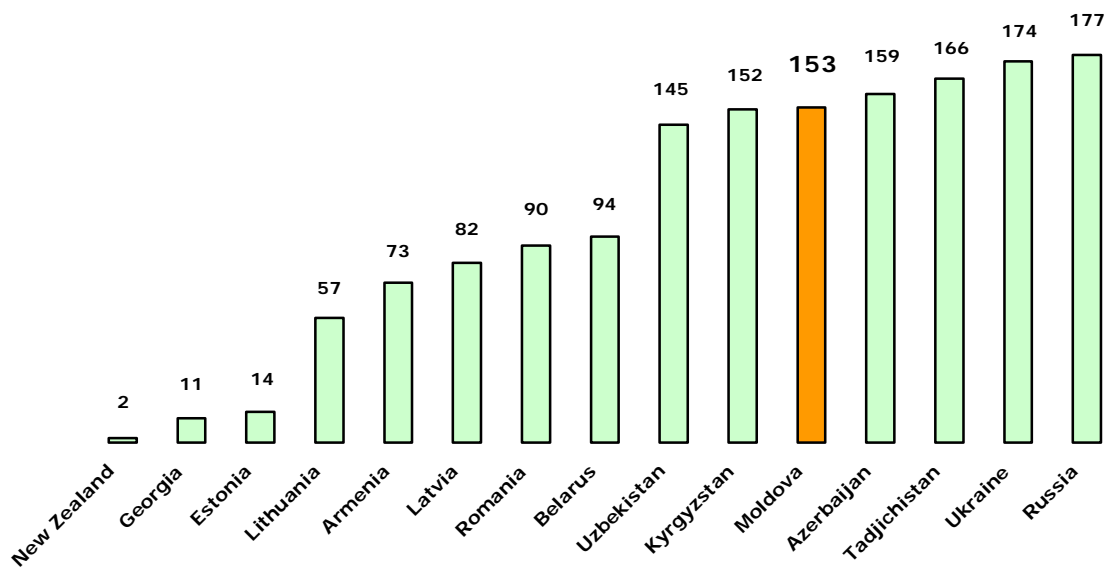
| | | |
|--------------|--|--|
| ... | | |
| Net Benefits | | |

CASE STUDY:

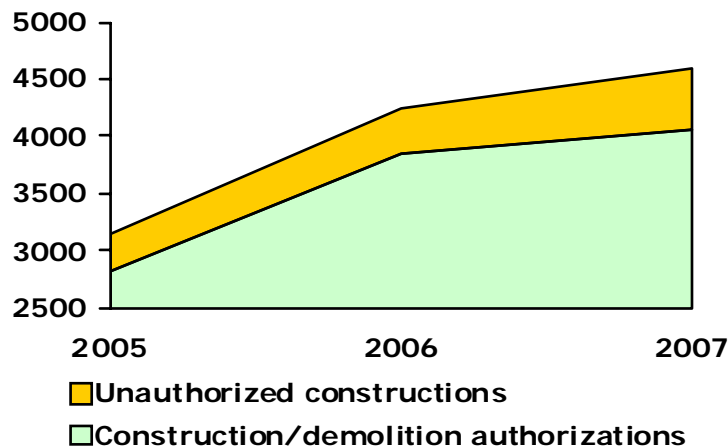
Problem

At present the regulatory procedures in the field of constructions are very burdensome and complex. The legislation is too general and ambiguous, that allows for a lot of discretionary behavior by public authorities, causing also certain regional differences in procedures. The procedures also imply a lot of interactions with numerous authorities and public institutions

The position of the of Moldova according to the World Bank “Dealing with Construction Permits” 2008 index was 153 out of 178 countries, which is behind even the majority of the CIS countries.



The excessive regulations instead of achieving their main purpose – increasing safety in construction – make it even worse. According to State Inspection in constructions, the number of unauthorized constructions is continuously growing, from 310 in 2005 to 545 in 2007. The ratio between the number of unauthorized constructions and the number of authorizations rose from 10.95% in 2005 up to 13.44% in 2007



Options

To settle the issue related to the excessive and discretionary regulatory environment in the construction field and to reduce the phenomenon of unauthorized constructions, the following options are considered:

- Option 1 – „do nothing”
- Option 2 – setting the regulatory procedures on the basis of a legal act by removing some unjustified existing procedures (law on authorization of construction works). This option will also provide clear rules for demolishing unauthorized constructions.

The existing regulatory procedures are provided in the Annex. Option 2 (the proposed law) will remove certain procedures (see the Annex) and make procedures 4 and 12-17 free of charge.

Current Situation:

Construction Authorizations issued in Moldova

| | 2005 | 2006 | 2007 |
|------------------------------------|-------|-------|-------|
| No. of construction authorizations | 2,830 | 3,840 | 4,055 |

It is assumed that in order to get the construction authorization one should pass all preceding procedures listed in the Annex.

Unauthorized constructions revealed by State Inspection in Construction:

| | 2005 | 2006 | 2007 |
|-----------------------------------|------|------|------|
| No. of unauthorized constructions | 310 | 414 | 545 |

According to the State Inspection in Construction there might be up to 50% of unauthorized constructions not revealed by Inspectors.

- It has been identified that unauthorized constructions do not comply with construction norms, such as using construction equipment and materials.
- Average official monthly salary in the field of construction: MDL 3,408.3
- Official estimate of shadow economy in Moldova is 30%
- Feel free to use Turkish data or to make assumptions whenever data is not provided. In case of assumptions, please provide the potential source of data.
- On average each visit to public authority requires at least one day of preparation.
- In some cases repeated visits are necessary, and usually there are queues and visits last quite long.
- Corruption in construction: It is assumed that on average bribes are paid in 20% of cases of interaction with public authorities, where the value of bribe is 50% of official payments. It is assumed that option 2 will reduce corruption by 50%.
- Current no. of staff at State Service for Verification and Expertise of Construction Projects is 85 people. It is assumed that the proposed law will require an increase in effort by 15%.
- Current no. of staff at State Inspection in Construction is 72 people and it is assumed that the proposed law will require an increase in effort by 15%.

Annex. Procedures/Permits in Construction

| # | Procedures in construction | Physical visits | Cost to complete according to World Bank Doing Business Study | Physical visits after the enforcement of the law |
|-----|--|-----------------|---|--|
| | STAGE I. GETTING CITY PLANNING CERTIFICATE (PERMISSION TO START PROJECT DESIGN) | 16 | | 5 |
| 1 | Request and obtain Real Estate Certificate from Cadastre | 2 | - | 2 |
| 2 | Request and obtain Topographic Map | 2 | - | excluded |
| 3 | Request and obtain Landplot Boarder Lines (Red Lines) | 2 | - | excluded |
| 4 | Approve Object General Scheme at Chief Architect from Chisinau | 1 | 1,500 | 1 |
| 5 | Submit request for City Planning Certificate from City Architect and get table for agreements | 1 | - | 1 |
| 6 | Request and obtain location clearance from Fire Authorities | 2 | 250 | excluded |
| 7 | Request and obtain location clearance from Sanitary Authorities | 2 | 500 | excluded |
| 8 | Request and obtain location clearance from Ecological Authorities | 2 | 500 | excluded |
| 9 | Submit all set of documents to city architect office to get the City Planning Certificate | 1 | - | excluded |
| 10 | Obtain City Planning Certificate | 1 | 23 | 1 |
| | STAGE II. GETTING CONSTRUCTION AUTHORIZATION (DEVELOPING PROJECT DESIGN) | 39 | | 17 |
| N/A | Contract Project Design from a public or private licensed Architect Company | N/A | N/A | N/A |
| 11 | Request and obtain technical conditions for electricity connection from Union Fenosa | 2 | - | 2 |
| 12 | Request and obtain technical conditions for electricity connection from street lighting service provider Lumteh (public lighting provider) | 2 | 300 | 2 |
| 14 | Request and obtain technical conditions for water and industrial sewage from Apa Canal | 2 | 343 | 2 |
| 15 | Request and obtain technical conditions for sewage system from Exdrupo | 2 | 200 | 2 |
| 16 | Request and obtain technical conditions for telephone connection from MoldTelecom | 2 | 136 | 2 |
| 17 | Request and obtain technical conditions for heating services from Termokom | 2 | 832 | 2 |
| 18 | Request and obtain the clearance from all holders of utility networks for connection solutions (all 6 organizations mentioned above) | 12 | - | excluded |
| 19 | Request and obtain clearance from Municipal General Division of Transport and Communication | 2 | 600 | excluded |

| | | | | |
|----|---|---|-------|----------|
| 20 | Request and obtain expertise clearance from Fire Department | 2 | - | excluded |
| 21 | Request and obtain expertise clearance from Health Department | 2 | 300 | excluded |
| 22 | Request and obtain expertise clearance from Environmental Protection Agency | 2 | 250 | excluded |
| 23 | Request and obtain of expertise/clearance from the road police | 2 | - | excluded |
| 24 | Project documentation clearance by the Architect of local public authorities | 2 | - | 2 |
| 25 | Request and obtain expertise of project documents at the State Service for Verification and Expertise of Projects in Construction | 2 | 3,000 | 2 |
| 26 | Request and obtain construction permit (construction authorization) from the local public administration | 2 | 6,000 | 2 |