

**TITLE: REGULATORY IMPACT ANALYSIS ON THE DRAFT LAW ON  
AUTHORIZATION OF CONSTRUCTION WORKS**

**ADMINISTRATIVE**

**AUTHORITY: MINISTRY of construction and territorial development**

**DATE: 21.07.2008**

**INTRODUCTION:**

Regulatory impact analysis on the draft Law on Authorization of Construction Works has been drafted in accordance with the provisions of the Law no.235-XVI dated 20.07.2006 on the basic principles of regulating the entrepreneurial activities and in accordance with the Methodology of regulatory impact analysis and monitoring efficiency of regulatory act, approved by the Decision of the Government of the Republic of Moldova no. 230 dated 24.10.2006. The present analysis has been drawn up with the support of experts of the USAID|BIZTAR "Business Regulatory and Tax Administration Reform in Moldova" Project.

The draft Law on Authorization of Construction Works had been drafted during 2007. The draft was consulted on with all the interested factors and accepted by the Working Group on regulating the entrepreneurial activity. Subsequently, the draft was submitted to the Government. In connection with the change of Government in April 2008, it was decided to withdraw the draft law to be consulted with new members of the Government and other interested parties.

The draft Law on Authorization of Construction Works has been drafted in accordance with the Legislative program for 2005-2009, approved through the Decision of Parliament no. 300/XVI dated 24.11.2005 (1<sup>st</sup> component "List of legislative acts to be drawn up", clause 105), as well as based on the European Directive no. 89/106 dated 1988 "Building materials".

The draft law establishes the legal bases and regulates the method of authorizing the design works, execution of construction works and demolition works, that would contribute to a sustainable development of the localities and territories through putting into effect the provisions of urban planning documentation and urban development, as well as the attributions and obligations of the authorities of public administration in this field. The draft law refers to 2 administrative permits: urban planning certificate and construction/demolition authorization. The urban planning certificate includes the conditions of using the lands on the basis of the existent urban planning documentation, as well as the legal, economic, technical and urban-architectural planning regime of the land. The construction/demolition authorization represents a permission act of approving the project documentation and authorization for execution of construction works in accordance with the project documentation.

At present, this field is regulated by the Decision of the Government on the adoption of the Regulation on urban planning certificate and construction/demolition authorization no.360 dated 18.04.97. Since the present Decision was exceeded by the amendments in the regulatory framework and does not ensure enough transparency and predictability, the regulatory environment in the field of constructions became excessive, and to a great extent unjustified that makes it possible to adopt discretionary decisions by public officials, thus creating grounds for corruption.

In order to solve the problems within the regulatory framework in the field of constructions, it was decided to draw up the draft law that would substitute the above-mentioned Decision of the Government. The draft complies with the basic regulatory principles of the entrepreneurial activities, as provided by Law no.235:

Predictability of regulating the entrepreneurial activities – the laws establish, for each case separately, the regulatory limits for Government and the costs for the issued permits. Consequently, this field should be regulated by law.

Transparency in taking decisions and transparency in regulating the entrepreneurial activities. The draft act was drawn up during 2007 – 2008, transparently and with the involvement of all interested factors, including the private sector in the field of regulatory reform, obtaining a positive notice. In May, the draft law was withdrawn from Government for its improvement. The present version of the draft law is much more favorable for the business environment than the old one withdrawn from the Government. One of the amendments in the draft law is the introduction of the principle of tacit approval in case the public authorities do not offer an answer as provided by law.

Regulatory impact analysis. The present draft act is accompanied by the regulatory impact analysis, complied with the requirements of the Methodology of regulatory impact assessment and monitoring efficiency of the regulatory act, approved through the Decision of Government no. 1230 dated 24.10.2006.

The material and procedural regulation of the initiation, carrying out and liquidation of the business through legislative acts. The draft law establishes clearly the material and procedural norms of acquiring the urban planning certificate and the construction/demolition authorization, as well as of inspection in this field.

Equity (proportionality) in the relationship between the state and the entrepreneur. As concerns the state control over the entrepreneurial activity, the draft law includes the principles of control established by the Law no. 235. Moreover, according to the principle of proportionality in the suspension of the entrepreneurial activity it is provided for suspension of validity of urban planning certificate and of construction/demolition authorization through the decision of the court.

## **DEFINING THE 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 “one-stop-shop” initiatives in some regions, such as Orhei and Hincesti, have proved the possibility of the optimization of procedures, by decreasing the number of interactions with the public institutions and considerable reduction of time, costs and risk of corruption. According to the research, the overall term of procedures can be reduced from 351 days (the reviewed value of the index „Dealing with Construction Permits” developed by World Bank “Doing Business” Project) down to just 147 days.

### **The State’s aim**

At present, the filed of constructions authorization is regulated by the Decision of Government no.360. This Decision outdated, it does not comply with the provisions of Law no.235 and creates favorable conditions for taking discretionary decisions by numerous involved public authorities.

In order to improve the business environment in the field of constructions and increase the security in this field, the Ministry of Constructions and Territorial Development has the following objectives:

Increase the degree of safety in construction, and consequently reduce the number of unauthorized constructions, which are caused by excessive, unjustified, and discretionary regulation.

Apply principles of Law no. 235 to regulation in construction:

predictability of business activity;

principle of decision-making transparency and regulatory transparency;

regulatory impact analysis;

principle of material and procedural regulation of the start-up, running and liquidation of business through legislative acts;

proportionality in the relations between the state and business.

Establish a favorable environment for entrepreneurial development in the field of construction, which would have a positive impact on other fields as well, since almost all the fields of business imply a property (buildings, installations etc.), which would lead to the business growth and respectively economic growth.

Reduce construction costs incurred by entrepreneurs, which would lead to the reduction of real estate costs (apartment houses, industrial buildings etc.) and as a result would have a positive influence upon citizens welfare.

Reduce corruption in the field of construction regulation.

Reduce the costs of public sector by removing the unjustified procedures.

### **The legal component of the problem**

The field of construction authorization is regulated by the following acts, especially:

Law on the construction quality no.721/XIII dated 02.02.96. The Law establishes the obligatory character of accomplishing and maintaining throughout the term of the construction works of the following essential requirements:

A – resistance and stability;

B – safety in exploitation;

C – fire protection;

D – hygiene, people health, regeneration and protection of the environment;

E – thermal isolation, waterproof and energy saving;

F – noise protection.

The same Law provides that the construction works, as well as works of modernization, change, transformation, consolidation and reparation should be executed on the basis of the project drawn up by physical or legal persons licensed in this field and verified by the State Service for Verification and Expertise of Projects and Constructions regarding the compliance with normative documents related to the essential requirements. The projects are drafted in compliance with normative documents in force, architectural-urban and technical regime, provided in urban planning certificate issued by local public authority.

Decision of Government on the approval of the Regulation no.360 on urban planning certificate and construction or demolition authorization, dated 18.04.97. This Decision regulates the aspects of issuing urban planning certificate and construction authorization, including the necessary requirements, procedures, validity and cost of issuing the certificate and authorization, including clearances and expertise necessary for obtaining these acts. The Decision stipulates the legal norms, according to the Law no.235. Moreover, the Decision does not provide all the notifications and expertise expressly, therefore, the decision on their application belongs to the public officials. Respectively, they represent a kind of unjustified bureaucratic barriers and create premises for corruption.

Law no. 835 on urban and territorial development principles, dated 17.05.96. The Law regulates the elaboration and approval of the urban planning documentation which represent the basis for issuing urban planning certificate. The Law provides that the urban planning documentation, before it's approved by the local public authorities, should be cleared with the specialized institutions.

Recently, the Law no.835 was amended by the Law no.280, through the provisions regulating the term of issuing the urban planning certificate and the construction authorization. The term of issue has been reduced from 30 to 19 days (15 days to take the decision, 1 day to inform the applicant and 3 days to issue the document).

### **The analytic element of the problem**

The procedure of obtaining the authorization in Moldova is a very burdensome one that requires much time and implies unofficial costs, many of them relating to the authorizations issued by local public administration authorities.<sup>1</sup>

The procedure of obtaining authorization, as that of obtaining the license, is regulated by the Moldovan legislation, and not by the acts of the local public administration. Nevertheless, the more complex is the authorization, the more ambiguous and less specific are the regulations. One of the most complex and burdensome authorizations mentioned also in "Doing Business" are the procedures concerning the constructions regulations. In Moldova this regulatory procedure is very ambiguous. The Governmental laws and decisions allow too many discretionary decisions to be made by the regulatory authorities. The existent procedures are difficult to identify based only on the legal acts. In order to see the whole situation, it is necessary to explore the institutionalized behavior of the public authorities.

However, there have been periodical attempts to optimize these procedures. The best example was the establishment of the regional one-stop-shop (OSS) with the assistance of USAID|BIZPRO Project. There have been founded 15 OSSs, among them 6 deal with the issuing of construction permits, including urban planning certificate and construction authorization. Unfortunately, these OSSs do not

---

<sup>1</sup> Cost of Doing Business, 2007.

have a legal support and activate only on the basis of a voluntary agreement between the central and local public authorities. Consequently, in some cases the authorities refuse to observe the agreement and act for their own interests.

Nevertheless, in the other regions, including the capital of Moldova, Chisinau, the procedure has not changed much recently, based on one-stop-shops as mentioned above.

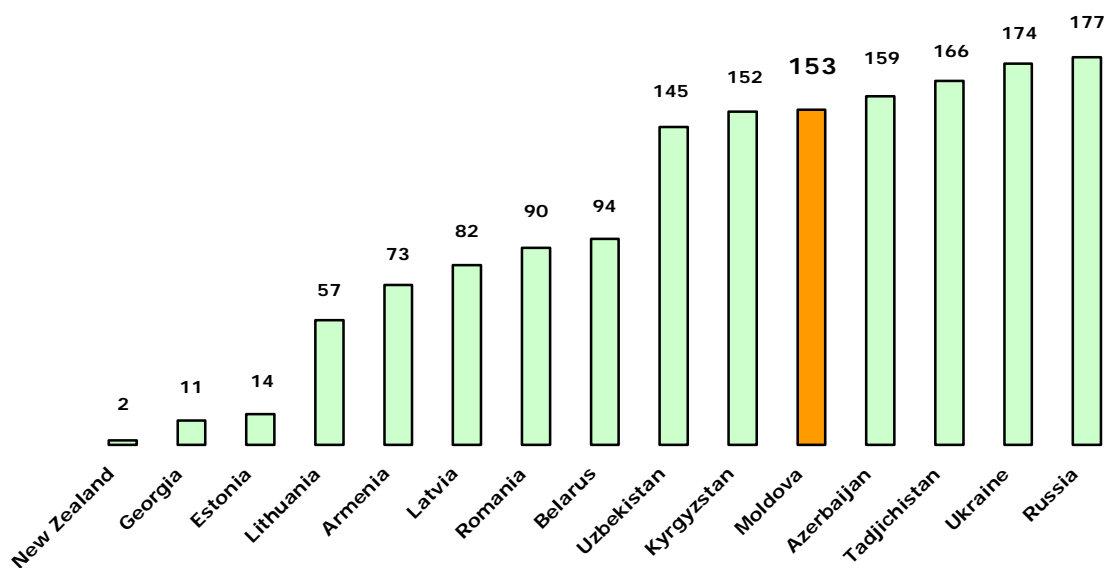
Regulatory procedures in the field of constructions based on “Dealing with Construction Permits” Indicator

According to “Dealing with Construction Permits” Indicator, there are 30 regulatory procedures in the field of construction in Moldova, lasting 292 days and amounting for 155% of the average income per capita. During the procedures, entrepreneur interacts with 6 specialized institutions of central public administration, local public administration (numerous subdivisions) and 6 owners of public utilities. As a result of a study it has been found that in fact the procedures identified by “Doing Business” would last up to 351 days (See annex no.1).

The study revealed additional procedures to those mentioned in “Doing Business”. It should be mentioned that due to the legislation that does not stipulates expressly all the regulatory measures, public authorities impose often additional discretionary measures. Consequently, the procedures listed in the annex 1 may vary depending on the case and locality. Annex 2 represents additional procedures, among them: 2 relating to the bodies of the central public administration, 4 – local public administration and 6 owners of public utilities.

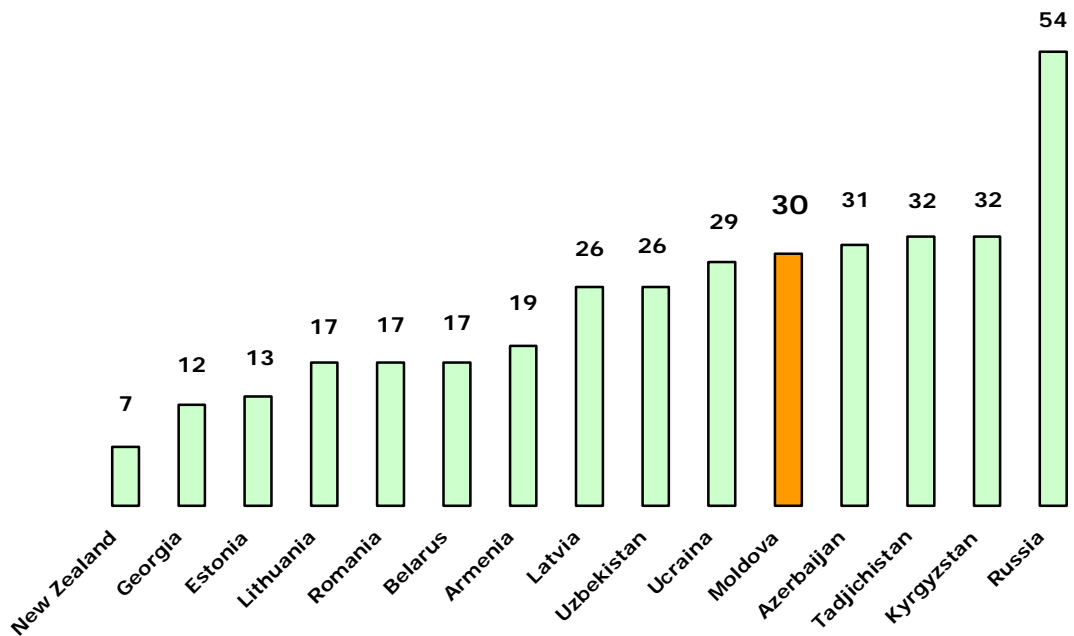
The position of the Republic of Moldova according to the general index concerning the business environment “Ease of Doing Business”, in 2008 was 97 of the 178 countries. As for the “Dealing with Construction Permits” index, Moldova placed 153, behind even the majority of the CIS countries.

*Graphic 1. Position of the countries according to the “Dealing with Construction Permits” index of the “Doing Business” 2008 ([www.doingbusiness.org](http://www.doingbusiness.org))*



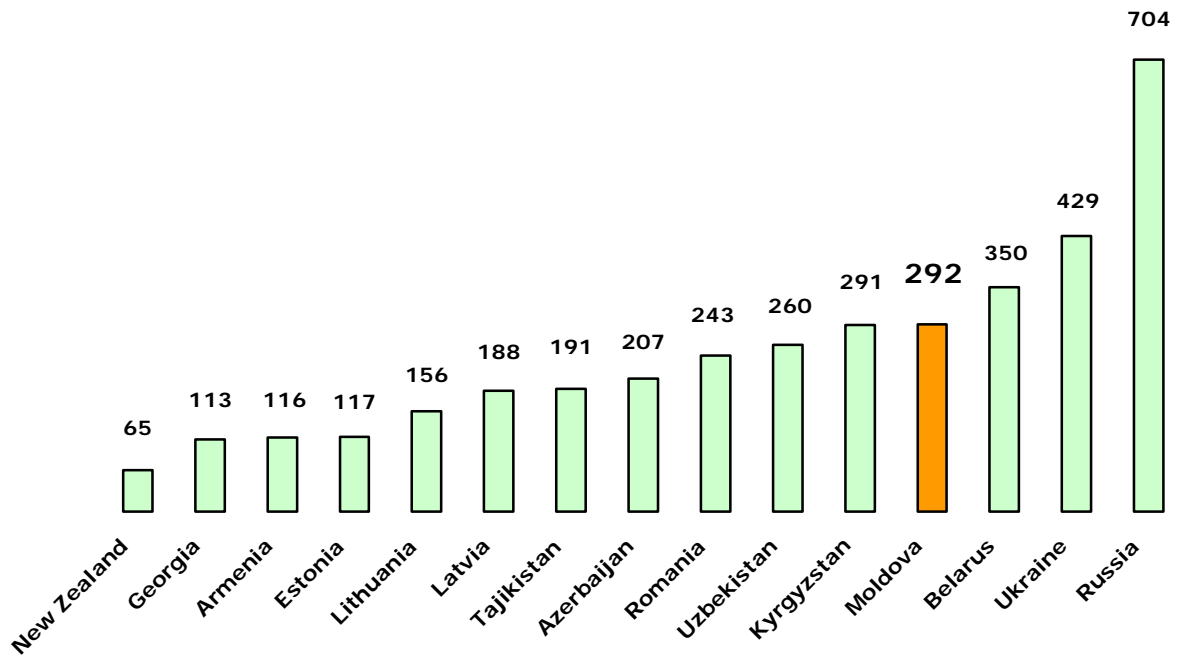
The position of Moldova is similar by the subcomponents of this index. 30 procedures have been identified in Moldova, more numerous than in the majority of CIS countries.

Graphic 2. Position of countries according to the number of procedures “Doing Business” 2008 (www.doingbusiness.org)



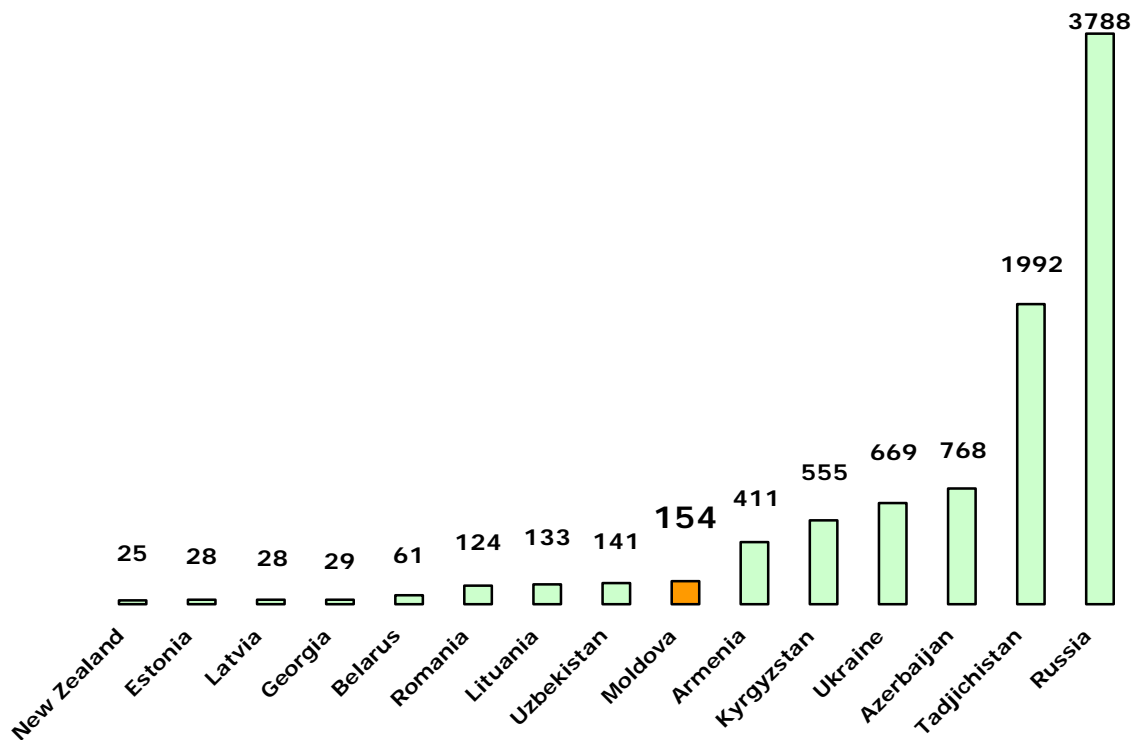
According to the duration of procedures, Moldova is also positioned among the last places within the CIS countries.

Graphic 3. Position of countries according to the duration of procedures (days) “Doing Business” 2008 (www.doingbusiness.org)



Only based on costs of procedures, Moldova has a better position, but still not favorable.

Graphic 4. Position of countries according to the costs of procedures as % of average income per capita "Doing Business" 2008 ([www.doingbusiness.org](http://www.doingbusiness.org))



The regulatory procedures can be divided in 3 stages (see annex 2):

Stage I. Obtaining the urban planning certificate (permission to start design works). At this stage, the applicant has to make up to 16 visits to public authorities.

Stage II. Obtaining the construction authorization (design works). This stage implies 39 visits.

Stage III. Obtaining the functioning authorization (construction and registration of real estate). This stage includes 18 visits.

The proposed draft law refers to the first 2 stages. Stage III should be optimized through the drawing up of another draft law, which shall be initiated this year.

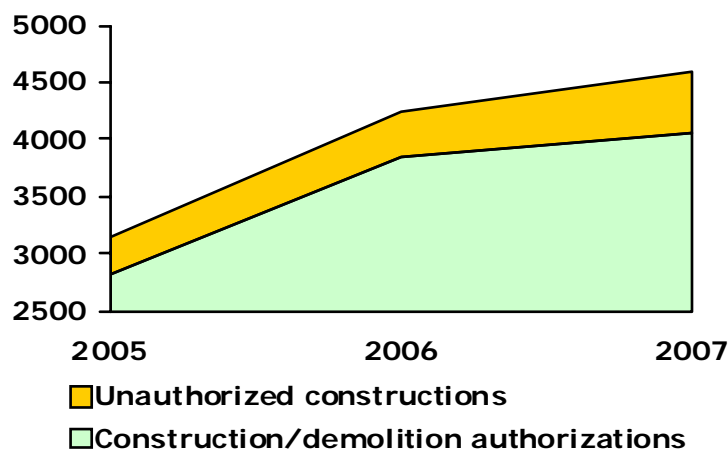
Estimating the possible consequences

At present, the regulatory environment in the field of constructions is very complicated and imposes numerous procedures that are not justified enough. It is also obvious from the above graphics in which the majority of countries, of the former Soviet Union, that inherited initially the same regulatory framework in the field of construction, have a much smaller number of procedures which also last less.

For example, Georgia has only 12 procedures and Estonia – only 13, compared with 30 in Moldova. The duration of all procedures in Georgia is 113 days and in Estonia – 117, compared to 292 in Moldova. It is obvious that there is a certain potential for optimizing the procedures.

The unfavorable regulatory framework affects the business development, attraction of investment and as a result economic development. However, besides this, the excessive regulations instead of achieving their main purpose, increasing safety in construction, makes it 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 raised from 10.95% in 2005 up to 13.44% in 2007 (graphic 5).

Graphic 5. Number of unauthorized constructions in relation to the number of authorized constructions (according to the data of the State Inspection in Constructions)



The real situation is even worse considering that the State Inspection in Constructions does not manage to check out all the objects that do not have permission. Moreover, from the overall number



of constructions, the unauthorized ones account for even larger share, as not all the issued authorizations lead to the initiation of the construction works.

Unfortunately, there is not a clear estimation of the corruption related to the field of construction regulation. However, some rough estimates can be made. According to a recent poll carried out by Transparency International<sup>2</sup>, the entrepreneurs resorted to bribery in 29% of cases while issuing the construction authorization, in 25% as related to the sanitary epidemiological authorities and 17% to authorities for environment protection.

In case the regulatory framework does not improve, this may lead to:

Decrease of investment in construction;

Increase of real estate costs as a result of a high level of administrative costs and corruption from the overall construction costs;

Decrease in safety level in construction because of the refuse to comply with the exaggerated regulatory procedures by entrepreneurs (the increase of the number of unauthorized constructions and constructions not complying with the security and safety requirements, accompanied by corruption).

#### Consultation

In order to seek for solutions for optimizing the regulatory environment, reducing the corruption and the number of unauthorized constructions, there have been carried out numerous consultations and discussions with the interested officials and experts in the field, during the period 2007-2008. As a result of these consultations there was drawn up the draft Law on authorization of construction works. After adjusting the draft to the comments submitted by officials and the positive endorsement of the Secretariat for Regulatory Impact Assessment and of the Working Group on regulation of entrepreneurial activity, the draft law was submitted to Government. Consequently, because of the change of the Government, it was decided to refer the project once more in short terms to the new members of Government, involving other interested parties, including from private sector and experts within the project of technical assistance USAID|BIZTAR "Business Regulatory and Tax Administration Reform in Moldova" .

In the process of drawing up the draft and analyzing the regulatory impact there were consulted the following interested factors:

Central public authorities. The draft law was sent to all the ministries and interested agencies, including the State Inspection in Constructions, Center of Combating the Economic Crimes and Corruption, Ministry of Justice, Ministry of Economy and Trade etc.

Secretariat for Regulatory Impact Assessment and Working Group on regulating entrepreneurial activity;

Private sector. Representatives of the private sector were consulted, and namely: Federation of constructors of buildings, roads and producers of

---

<sup>2</sup> The perceptions and the experiences of the representatives of the households and businessmen: Corruption in the Republic of Moldova, Chisinau, 22.04.2008, Transparency International in Moldova

construction materials "CONDRUMAT"; Northern Section of the Union of architects, etc.

Local public authorities, including Chisinau city and Balti city;

Design institutes: SE "Urbanproiect"; SE "Ruralproiect"; SE „Chişinăuproiect”;

One-stop-shops in the field of construction permits from Orhei and Hincesti ;

Experts of the project for technical assistance USAID|BIZTAR “Business Regulatory and Tax Administration Reform in Moldova” .

Other interested parties.

The comments, objections and suggestions of the consulted parties were analyzed and taken into consideration while improving the draft law and regulatory impact analysis.

## POTENTIAL IMPACTS

### Benefits

The state intervention in solving the above-mentioned problem implies the benefits as follows:

Decrease of official costs of procedures. The costs are taken from the “Dealing with Construction Permits” indicator. This benefit is calculated as the result between the removed costs and the annual number of issued authorizations, since the issue of the authorization implies that the beneficiary had passed through all the procedures. In order to avoid an overoptimistic scenario, only the number of authorizations issued in 2007 was used, not taking into account the possible increase in 2008. It is difficult to assess the number of authorizations that are not subjected to all the procedures identified in the annex, though according to the discussions with the specialists, a great deal of them implies the mentioned procedures. In order to assess this benefit, it was assumed that the number of authorizations requiring all the procedures mentioned in the annex is within the interval 50% and 100% of the number of authorizations issued in 2007. Moreover, in order to avoid overoptimistic scenario, the reduction in costs related to additional procedures, identified in addition to those from “Dealing with Construction Permits” were not considered. The estimations are reflected in the annex 1 and 2.

Decrease of unofficial costs of procedures (corruption), estimated in % of the official costs. In order to estimate these costs we resorted to the recent research “The perceptions and the experiences of the representatives of household and businessmen: corruption in the Republic of Moldova”, carried out in April 2008 by Transparency International.

Decrease of costs related to visits to authorities and preparation of the documentation package. These costs are assessed as the number of man-days necessary for visits and preparation of the documentation package. According to the discussions with the applicants it was found that some visits require much time and even additional visits, but even if in other cases the visits are of shorter. Consequently, it was assumed that an average visit takes a day for a person. Additionally, it was assumed that the preparation of the documentation package for a visit requires an effort equal to a day for a visit. Consequently, this benefit should be calculated as the number of excluded visits multiplied by 2 and the rate per day of the specialist and the number of cases in Moldova, using the

number of the construction authorization issued per year. The rate of persons is calculated resulting from the average wage in the constructions sector amounting 3408,3 lei per month in May 2008, according to the data of the National Bureau of Statistics. The real value of this benefit could be even higher since the real wage is higher, a part of it being paid unofficially.

Decrease of costs related to the compliance with the authorities' instructions. This benefit is very difficult to quantify. For this purpose it is required to carry out a separate poll. Consequently, in each option this benefit will be mentioned as only present or not. This benefit results from the decrease of discretionary powers of public authorities. Otherwise, they could establish unjustified requirements for compliance that would cause essential costs for the applicant. In some cases these costs would imply additional investments for compliance and therefore would significantly exceed the official costs of the procedures.

Decrease of costs related to labor accidents in constructions. It is assumed that in case of over-regulation (unjustified regulation), the entrepreneurs would have to evade from excessive and unjustified regulatory procedures, but at the same time evade from the essential requirements, needed to ensure the security of the construction workers. As a result, the risk of labor accidents would increase. A certain indicator of this risk would be the number of the unauthorized constructions.

Decrease of costs related to accidents in completed buildings. The explanation is the same as for the previous benefit; the only difference being that in this case citizens that use dangerous real estate are at risk. As a result the accidents will happen after a partial or whole collapse of the buildings. This risk is especially important considering that Moldova is placed in a seismic zone and there are also landslips.

Increase of investments in construction. Due to the improvement of the regulatory framework in construction, an additional benefit would be the appearance of new companies on the market, more modern technologies which would lead to the sector growth.

Increase of investments in other sectors. Since almost all the business fields imply a real estate, the improvement of the regulatory framework would have a positive impact on the development of other sectors as well.

Decrease of the capital costs as a result of the reduction of investment risks. The improvement of the regulatory framework would reduce the business risk and the investors would reduce the requirements related to the capital costs in this sector.

## Costs

The state intervention implies certain costs:

Costs related to communication of new regulatory conditions. It is important communicate and explain well regulatory requirements, otherwise they might be compromised and fail to be implemented.

Increase of costs related to verification and expertise of project documentation. The removal of the additional clearances may result in a greater effort made by authorities that remain in the process, such as the State service of verification and expertise. These costs would be necessary to maintain the additional staff.

Increase of costs of public authorities for documentation verification within the issuing office, in case of choosing the options where clearances are made within the office where urban planning certificate and construction authorization are issued.

Increase of costs related to surveillance of conformity with new legal provisions. The State Inspection in Constructions should monitor and inspect the observance of new provisions by public authorities and investors.

Increase of costs for demolition of unauthorized constructions that do not comply with the legal provisions. Together with the simplification of the regulatory framework the fair competition should be ensured, that is all the participants on the market should obey the same conditions. Consequently, it would be necessary to undertake drastic measures with those not observing the simplified legislation.

Increase of costs related to increasing number of unauthorized constructions and labor accidents. These costs can be implied, considering the number of unauthorized constructions, but it is very difficult to quantify them.

Risks:

Besides benefits and costs there are also certain risks associated with state intervention and non-intervention:

Poor compliance with the new legal provisions.

Failure to bring legislation in compliance with the new provisions and as a result the maintenance of the old procedures in other normative acts. In this case, the amendments would be compromised.

Insufficient capacities of the public authorities to comply with the new requirements. In this case, the authorities wouldn't respect the deadlines, and would compromise the initiative to reform the regulatory framework.

Even if most of the unauthorized constructions don't damage in the nearest future, in case the state doesn't interfere, there will be the risk of a disaster in the result of an earthquake or other natural disaster.

The mechanism of approaching the unauthorized constructions would be drawn up later and more difficult.

The urban planning documentation will be developed by local authorities slower and less qualitative, affecting the regulatory procedures and the urban quality.

Impacts on small and middle enterprises and fair competition

The state intervention is especially favorable for small and middle enterprises. Large enterprises can afford themselves a larger number of specialists responsible for various regulatory procedures. Besides, the large enterprises can afford themselves increasing administrative costs as well as costs related to corruption, due to the large volume of works. Moreover, the large enterprises would rather approve higher bureaucratic and corruption barriers, since these are serious impediments for new enterprises to enter the market and for small and middle enterprises.

Consequently, in order to create a healthy competitive environment, in which the competitive factors represent the professional abilities and the economic efficiency and not the capacities of dealing with bureaucratic and corruption barriers, the state intervention is required to optimize the regulatory procedures in order to keep those necessary and to remove those less justified.

Major problems of distribution

The measures settled in the draft law will be general and wouldn't discriminate either a group of the society or an economic agent or groups of economic agents.

## ALTERNATIVE OPTIONS

To settle the issue related to the excessive regulatory environment in the construction field, the following options have been identified:

Option 1 – „do nothing”;

Option 2 – setting the regulatory procedure on the basis of a legal act keeping the existing regulatory frame.

Option 3 – setting the regulatory procedure on the basis of a legal act by optimizing the interaction of public authorities and minimizing involvement of applicant;

Option 4 – setting the regulatory procedures on the basis of a legal act by removing some unjustified procedures.

Option 1 – „do nothing”:

This option means keeping in force of the Government Decision no.360. If this option is chosen, the situation in the construction field will get worse, as provided in the division “Defining the problem”.

Benefits of option 1. This option will bring no benefits.

Costs of option 1. It is expected that if measures are not taken, the following costs will occur:

Increase of demolition costs of the unauthorized constructions that don't comply with the legal provisions.

Increase of costs related to the increasing number of unauthorized constructions and industrial accidents.

These costs have not been quantified, but might be very significant. Nevertheless, it will allow for comparison of the options.

Risks of option 1:

The risk of a disaster as a result of an earthquake or other natural cataclysm, when most of the unauthorized construction would collapse.

The mechanism of approaching the unauthorized constructions would be drawn up later and more difficult.

The urban planning documentation will be worked out by local authorities, slower and less qualitative, affecting the regulatory procedures (especially issuing of urban planning certificate) and the urban quality.

The risk of failure to observe the safety conditions established by the Government Decision, since it does not comply with the provisions of the Law no.235, and therefore the safety of constructions might be affected.

Option 2 – establishing the regulatory procedures through a legislative act, keeping the existent regulatory framework

This option implies maintaining of the conditions established by the Government Decision no.360, approved through a legislative act.

Benefits of option 2. This option will bring no benefits.

Costs of option 2. The costs will be the same as for the option 1.

Risks of option 2. There will persist the same risks as in the option 1, except the risk of failure to apply the conditions provided by the act, since they will be already approved by law.

Option 3 – establishing the regulatory procedures through a legislative act, by optimizing the interaction of public authorities with minimum involvement of applicant;

This option implies keeping almost all the existent procedures, by their optimization in view of reducing the interaction of economic agents with public authorities, and their regulation by law. It is realistic to optimize the procedures at the stage of issuing, by the interaction of the public authorities. Ideally, this would occur within the local public authorities (issuers of urban planning certificates and construction authorizations).

Benefits of option 3

Decrease of the unofficial costs of procedures (corruption), estimated in % of the official costs. This reduction, however, will not be equal to that from the option 4, since even if the authorities interact without the applicant's involvement, they anyway may create impediments by taking a discretionary decision on the applicant's compliance. In the result, the applicant could be forced to apply directly to the specialized institutions to solve the problem. Consequently, this benefit amounts 50% of the similar benefit in option 4.

Decrease of costs related to visits to authorities, will occur, except those related to the preparation of documentation package, since the procedures will stay.

Decrease of costs related to compliance with the authority's instructions. It is presumed that this benefit will be smaller than in option 4, when the procedures are completely removed. It is assumed that this benefit amounts 50% of the similar benefit in option 4.

Decrease of costs for labor accidents in constructions. It is presumed that this benefit will be smaller than in option 4, when the procedures are completely removed. It is assumed that this benefit amounts 50% of the similar benefit in option 4

Decrease of accident costs in the completed constructions. It is presumed that this benefit will be smaller than in option 4, when the procedures are completely removed. It is assumed that this benefit amounts 50% of the similar benefit in option 4.

Increase of constructions investments. It is expected that this benefit will be smaller than in option 4, when the procedures are completely removed. It is assumed that this benefit amounts 50% of the similar benefit in option 4.

Increase of investments in other sectors. It is expected that this benefit will be smaller than in option 4, when the procedures are completely removed. It is assumed that this benefit amounts 50% of the similar benefit in option 4.

Decrease of capital costs as a result of the reduction of investment risks. It is presumed that this benefit will be smaller than in option 4, when the procedures are completely removed. It is assumed that this benefit amounts 50% of the similar benefit in option 4.

Costs of option 3:

Costs related to the communication of the new regulatory conditions, as in the option 4.

Increase of costs of the specialized public authorities for documentation examination within the issuing office. It is presumed that these costs will be equal to the expertise in option 4, increased by 2 times, since they occur at 2 stages – clearance of land plot and of project documentation.

Increase of costs related to the observance of the new legal provisions, as in the option 4.

Increase of demolition costs of the unauthorized constructions that don't comply with the legal provisions, as in the option 4.

Risks of option 3:

Poor compliance with the new legal provisions.

Failure to bring the legislation in compliance with the new provisions and therefore maintaining the old provisions from other normative acts.

Insufficient capacities of the public authorities to comply with the new requirements. This risk is especially obvious, since it presumes the examination of the documentation within the same premises, together with other authorities within a limited duration.

Option 4 – establishing the regulatory procedures through a legislative act, including removing certain unjustified procedures

This option is represented by the draft Law on authorization of construction works. The changes brought by this option, as well as the effect from these changes are represented in details in the annex 1 and 2.

One of the main accomplishments of this option is that the process of obtaining the urban planning certificate will be simplified at maximum, which usually is issued to persons non-specialists in the field of architecture and construction. Certain procedures considered to be necessary, but occurring before

the issuing of the urban planning certificate, will be moved into the stage of issuing the construction authorization.

#### Benefits of option 4:

Decrease of official costs of procedures, according to the estimation from the annex 1, multiplied by the number of construction authorizations (4055 authorizations in 2007).

Decrease of unofficial costs of procedures (corruption), estimated in % of the official costs. It is presumed that on average corruption occurs in 20% of the interactions with the authorities, the value of the bribery amounting 50% of the official costs. It is assumed that option 4 would reduce the value of the unofficial cost by 50%.

Decrease of costs related to visits to authorities and preparation of documentation package. The working method of this index is represented in the chapter "Benefits". It uses the average wage in the construction sector of 3408.3 lei per month and the number of the construction authorizations (4055) from 2007, without estimating the number for 2008, which should be higher according to the dynamics.

Decrease of costs related to compliance with authorities' instructions. This benefit is very difficult to quantify and therefore it will just be mentioned.

Decrease of costs related to labor accidents in construction. This benefit is very difficult to quantify and therefore it will just be mentioned.

Decrease of costs related to accidents in completed constructions. This benefit is very difficult to quantify and therefore it will just be mentioned.

Increase of investment in construction. This benefit is very difficult to quantify and therefore it will just be mentioned.

Increase of investment in other sectors. This benefit is very difficult to quantify and therefore it will just be mentioned.

Decrease of capital costs as a result of reduction of investment risks. This benefit is very difficult to quantify and therefore it will just be mentioned.

#### Costs of option 4:

Costs related to communication of new regulatory conditions. It is presumed that these costs will cover the advertising campaigns, conferences and round tables in the territory throughout a year. The annual estimated costs will amount to 200 000 lei.

Increase of costs related to verification and expertise of documentation package. It was estimated that these costs would represent the wages of 15% more staff within the State Service for Verification and Expertise of Projects and Constructions. At present, there are up to 85 persons, and 15% increase means 13 more persons. For this exercise, the average wage in constructions field was used (3408.3 lei per month in May 2008). In fact, the real wage might be higher, but this difference is compensated by using the same figure in estimating benefits.



Increase of costs related to observance of new legal provisions. The State Inspection in Constructions should monitor and inspect the observance of the new provisions by the public authorities and investors. It is presumed that the number of inspectors will grow by 15% from 75 up to 86 (by 11 persons, who will be paid the above-mentioned wage).

Increase of demolition costs of the unauthorized constructions that don't comply with the legal provisions. This cost has not been quantified and will just be mentioned.

Risks of option 4:

Poor compliance with the new legal provisions.

Failure to bring legislation in compliance with new provisions and therefore maintain old provisions from other normative acts. In this case the amendments would be compromised.

Insufficient capacities of public authorities to comply with new requirements. In this case, the authorities wouldn't respect the deadlines, and would compromise the initiative to reform the regulatory framework.

All these risks would be minimized through legal provisions, the set of measures provided after the Law enters into force, and the political desire for the regulatory reform.

#### COST-BENEFIT ANALYSIS

When doing the cost-benefit analysis, the costs and benefits for private, public sectors, and society in general, are taken into account. The overlapping of effects is tried to be avoided, i.e. if benefits for private sector are generated, the benefits from price reduction for citizens are no longer assessed, their effect being already included in the initially mentioned benefit. Additionally, as for costs chapter, the fact of reduced income collected under form of special funds by some public institutions was not reflected. It is foreseen that the activity of these institutions will be streamlined, i.e. the component responsible for construction works will be reduced. The following table shows a cost-benefit analysis for those four options (the currency is Moldovan Lei).

<b>Currency: Moldovan Lei</b>	<b>Option 1</b>	<b>Option 2</b>	<b>Option 3</b>	<b>Option 4</b>
<b>ANNUAL BENEFITS (quantified)</b>			22 297 127 - 11 148 564	67 752 359 - 33 876 180
	<b>0</b>	<b>0</b>		
1. Decreasing the official cost of the procedures				23 158 105 - 11 579 053
- sum of payments for removed procedures	0	0	0	5 711
- no. of authorizations issued during a year (according to 2007)	4 055 - 2 027	4 055 - 2 027	4 055 - 2 027	4 055 - 2 027
2. Decreasing unofficial cost of procedures (corruption) assessed as % of official costs (20% of cases, 50% of official amount)			578 953 - 289 476	1 157 905 - 578 953

3. Decreasing the costs related to visits of authorities and preparation of documentation (Annex 2)			21 718 175 -	43 436 349 -
	0	0	10 859 087	21 718 174
- no. of reduced visits			33 -	33 -
	0	0	17	17
- no. of days necessary to prepare the documents				33 -
	0	0	0	17
- average daily wage (based on official statistic data)	162	162	162	162
4. Decreasing the costs related to the compliance with authorities' indications	NO	NO	50% YES	YES
5. Decreasing the costs of labor accidents in construction	NO	NO	50% YES	YES
6. Decreasing the costs of accidents in completed buildings	NO	NO	50% YES	YES
7. Increasing the investments in construction	NO	NO	50% YES	YES
8. Increasing the investments in other sectors	NO	NO	50% YES	YES
9. Decreasing the cost of capital as a result of reduction of investment risks	NO	NO	50% YES	YES
<b>ANNUAL COSTS (quantified)</b>	<b>0</b>	<b>0</b>	<b>641 716</b>	<b>1 163 186</b>
1. Communication of new regulatory conditions related costs	0	0	200 000	200 000
2. Increasing the costs related to the verification and expertise of project documentation (about 15% increase of personnel number)	0	0	0	521 470
- no. of existing employees	85	85	85	85
- salary	3 408	3 408	3 408	3 408
3. Increasing the costs of public authorities specialized in examining the documentation in the issuer offices	0	0	521 470	0
4. Increasing the costs related to the observance of new provisions in the legislation (about 15% increase of personnel number)	0	0	441 716	441 716
- no. of existing employees	72	72	72	72
- salary	3 408	3 408	3 408	3 408
5. Increasing the costs for demolishing of unauthorized constructions that are not in line with the provisions of the legislation	YES	YES	YES	YES
6. Increasing the costs related to increased number of unauthorized constructions and construction accidents.	YES	YES	NO	NO
<b>QUANTIFIED ANNUAL NET BENEFITS</b>			<b>21 655 411 -</b>	<b>66 589 174 -</b>
	<b>0</b>	<b>0</b>	<b>10 506 848</b>	<b>32 712 994</b>

#### IMPLEMENTATION – CONSTRAINTS AND SANCTIONS

The State Inspection in Constructions, will ensure the observance of the new legal provisions. The Inspection represents the only state body authorized to carry out the state control over the unitary and

exactly application of the legislation and the normative documents in constructions by the local public authorities, physical and legal persons, involved in the construction activity.

State Inspection's duties are settled through the Government Decision no.360 dated 25.06.1996 "On the state control over the constructions quality", amended through the Government Decision no.861 dated 31.07.2006.

According to the Government Decision no.735 dated 16.06.2003 "On the limited-structure of public disconcentrated services of the ministries, departments and other central administrative authorities", the Inspection comprises 5 territorial inspections (Chisinau city, "Centru", "Nord", "SUD", "UTA Gagauzia" and the central body amounting all together to a total of 72 persons. The territorial inspections have the same duties.

Besides the State inspection, the optimization of the regulatory framework is ensured by the State Service for Verification and Expertise of Projects and Constructions that should check the compliance of the project documentation with the essential requirements, and therefore allow the removal of numerous unjustified clearances imposing essential barriers to business.

The State Service for Verification and Expertise of Projects and Constructions functions on the basis of self-administration. The Service's activity is based on the Law on the constructions quality no.721-XIII dated 02.02.1996, Government Decision no.361 dated 25.06.1996 on the assurance of the constructions quality, Government Decision no.936 dated 16.08.2006. The Service now has about 85 employees, among them 15 are full time employees and the rest of them work based on service provision agreements.

Performance INDICATORS – monitoring and revision

Responsible for monitoring the implementation of the law and its impact is the Ministry of Constructions and Territorial Development. As ground for monitoring the situation is:

The World Bank indicator „Dealing with Construction Permits”. The indicator will be monitored annually (at each publication), reviewed to remove the errors. The Ministry will cooperate with the Ministry of Economy and Trade, State Commission for regulating the entrepreneurial activity, its working group, the Secretariat of Regulatory Impact Assessment, local partners of the „Doing Business” Project, and experts within USAID|BIZTAR “Business Regulatory and Tax Administration Reform in Moldova”, in view of ensuring the correctness of the indicator and identification of measures for its further improvement. The following data will be used as regards this index:

Position of Moldova

Number of procedures

Duration of procedures

Costs of procedures

The data concerning the observance of the legislation – especially the number of unauthorized constructions. This data is provided by the State Inspection in Construction. This indicator will be analyzed in more dimensions, in order to have a more qualitative understanding of changes in the field of construction.

Evolution of unauthorized constructions in time (quarterly)

Their territorial distribution

Their ratio to the number of issued authorizations

## SUMMARY AND RECOMMENDATIONS

As a result of regulatory impact analysis, option 4 is recommended, i.e. to adopt the Law on Authorization of Construction Works that stipulates the elimination of a great number of regulatory procedures and increased transparency and predictability of construction regulatory framework. This option gives the highest level of net benefits and has a favorable impact on small and medium sized enterprises and on competition. The benefits for the private sector and those for the society can exceed 60 million lei annually.

Currency: MDL	Option 1	Option 2	Option 3	Option 4
			21	66
			655 411	589 174
			-	-
<b>ANNUAL NET BENEFITS (quantified)</b>	<b>0</b>	<b>0</b>	<b>10 506 848</b>	<b>32 712 994</b>
<b>BENEFITS (NON-QUANTIFIED)</b>				
1. Decreasing the costs related to the compliance with the authorities' instructions	NO	NO	50% YES	YES
2. Decreasing the costs of labour accidents in constructions	NO	NO	50% YES	YES
3. Decreasing the costs of accidents in completed buildings	NO	NO	50% YES	YES
4. Increasing the investments in constructions	NO	NO	50% YES	YES
5. Increasing the investments in other sectors	NO	NO	50% YES	YES
6. Decreasing the costs of capital as a result of reduction of investment risks	NO	NO	50% YES	YES
				YES
<b>COSTS (NON-QUANTIFIED)</b>				YES
1. Increasing the costs of demolition of unauthorized constructions not complying with the legal provisions	YES	YES	YES	YES
2. Increasing the costs related to the increasing number of unauthorized constructions and accidents in constructions.	YES	YES	NO	NO

One of the most important achievements of this option is that the procedure of obtaining the urban planning certificate will be maximum simplified, which is usually obtained by people who have nothing

to do with architecture and construction. Some procedures that were considered necessary, but were undertaken before the issuance of the urban planning certificate, will be transferred to the phase of issuing the construction authorization.

Moreover, option 4 foresees the decrease of procedures' number from two construction phases from 17 to 10 (by 41%), their term of period from 186 up to 86 days (by 54%) and their costs from 14 734 MDL up to 9 023 MDL (by 39%) (see Annex 1). In total, as per Chapter of Dealing with Licenses index, Moldova's situation shall improve significantly: at the total number of procedures by 23%, at their term of period by 28% and at their cost by 25% (Annex 1).

At the same time, the number of visits within both phases will be reduced from 55 to 22 (by 60%), and the number of institutions of central public authorities with which the entrepreneur will be dealing with will be reduced from 7 to 3 (Annex 2).

**ANNEX 1. Calculating total duration of procedures in accordance with Doing Business Report (new law comprises the procedures from 1 to 17)**

BEFORE THE ADOPTION OF THE LAW				AFTER THE ADOPTION OF THE LAW		
Procedure	Duration (days)	Cost (MDL)	Calculating total duration (days)	Procedure	Duration (days)	Cost (MDL)
1	1	1 500	1	1	1	0
*2	7	250		excluded	excluded	excluded
*3	30	500	****30	excluded	excluded	excluded
*4	14	500		excluded	excluded	excluded
*5	30	0		5	<sup>A</sup> 20	0
*6	30	300		6	20	0
*7	14	343		7	20	0
*8	7	200		8	20	0
*9	7	136		9	20	0
*10	14	832		10	20	0
*11	18	600		excluded	excluded	excluded
*12	8			excluded	excluded	excluded
*13	21	300	**21	excluded	excluded	excluded
*14	30	250	***30	excluded	excluded	excluded
15	45	23	45	15	20	23
16	14	3 000	14	16	30	3 000
17	45	6 000	45	17	15	6 000
<b>Total 1–17</b>		<b>14 734</b>	<b>186</b>	<b>10</b>	<b>86</b>	<b>9 023</b>
				<b>Reduced by 7 (41%)</b>	<b>Reduced by 100 (54%)</b>	<b>Reduced by 5711 (39%)</b>
18	1	0	1	18	1	0
19	1	0	1	19	1	0
20	1	0	1	20	1	0
21	1	0	1	21	1	0
22	22	1 056	22	22	22	1 056
*23	1	4 620		*23	1	4 620
*24	10	0		*24	10	0
*25	11	0		*25	11	0
*26	30	1 900	30	*26	30	1 900
27	1	0	1	27	1	0
28	30	0	30	28	30	0
29	60	330	60	29	60	330
30	18	250	18	30	18	250
<b>Total</b>		<b>22 890</b>	<b>351</b>	<b>23</b>	<b>251</b>	<b>17 179</b>
				<b>Reduced by 7 (23%)</b>	<b>Reduced by 100 (28%)</b>	<b>Reduced by 5711 (25%)</b>

- Take place at the same time with other procedures

\*\* - Figure is used to calculate the total, because the Environmental Protection Agency will not issue any approval unless Health and Fire Department has not issued it before

\*\*\* - Figure is used as the longest procedure of those that take place simultaneously

\*\*\*\* - The duration of approval of placement from Sanitary Authority (procedure 3) is added to the total, because it does not take place simultaneously by approving the expertise from behalf of Sanitary Authority (procedure 13). These are procedures differently undertaken by the same authority but at different levels.

A - procedures 5 – 10 take place simultaneously and their duration cannot exceed 20 days.

As for the current situation, the Dealing with Licenses index for each procedure estimates the duration and cost according to the legislation or other sources. The report only stipulates that this should last a certain number of days, but it takes more than that. Taking into account that these data sources are not provided accurately, and the distribution of estimations cannot be assessed.

A drawback of the Dealing with Licenses indicator is the incorrect calculation of procedures' duration. Obviously, as it was mentioned by Doing Business, not the entire duration of procedures is added, because some of them can be undertaken simultaneously. Even if we apply this condition, the total duration will be 300 days instead of 292 days mentioned by the Doing Business indicator. Moreover, we will take into account another statement from the Doing Business report that says that the Environmental Protection Agency will issue no any approval, unless Health and Fire Department has not issued it before; total duration increases up to 321 days. And finally, the duration of issuing the approval by the Sanitary Authority (procedure 3) should be added to the total figure, because it cannot be carried out in parallel with the approval of Sanitary Authority expertise (procedure 13). These are different procedures carried out by the same Authority but at different stages (see Annex 2). Consequently, the total duration of the procedures increases up to 351 days.

The list of procedures according to Dealing with Licenses indicator:

Request and obtain project according to city planning documentation from Design Institute of Moldova on Engineering and Research Works

- \* Request and obtain location clearance from Fire Authorities
- \* Request and obtain location clearance from Sanitary Authorities
- \* Request and obtain location clearance from Ecological Services
- \* Request and obtain technical conditions for electricity connection from Union Fenosa
- \* Request and obtain technical conditions for electricity connection from street lighting service provider Lumteh (public lighting provider)
- \* Request and obtain technical conditions for water and industrial sewage from Apa Canal
- \* Request and obtain technical conditions for sewage system from Exdrupo
- \* Request and obtain technical conditions for telephone connection from MoldTelecom
- \* Request and obtain technical conditions for heating services from Termokom
- \* Request and obtain clearance from zoning and road construction division of Municipality (General Division of Transport and Communications)

\* Request and obtain expertise clearance from Fire Department

\* Request and obtain expertise clearance from Sanitary Authority

\* Request and obtain expertise clearance from Environmental Protection Agency

Request and obtain City Planning Certificate from local public authority

Request and obtain expertise of project documents at the State Service for Verification and Expertise of Projects in Construction

Request and obtain construction authorization from local public authority

Notify construction authorities about the beginning of construction

Receive inspection on foundation works by State Construction Inspectorate (1)

Receive inspection on structure works by State Construction Inspectorate (2)

Receive inspection on roof works by State Construction Inspectorate (3)

Request and connect to water and sewage services

\* Request power connection services and sign contract

\* Receive inspection

\* Connect to power services

\* Request and connect to phone services

Receive final inspection by State Construction Inspectorate and sign the Act of completion of construction

Request and obtain the Act of completion of construction works by Working Commission

Request and receive the Act of completion of construction works by State Commission

Register the building at Agency of Cadastre



**ANNEX 2. APPROXIMATE NUMBER OF VISITS BY THE PUBLIC AUTHORITIES IN ACCORDANCE WITH THE STUDY ON STREAMLINING THE CONSTRUCTION AUTHORIZATIONS: COMPARATIVE STUDY BETWEEN CHISINAU ONE-STOP-SHOP AND TWO LOCAL ONE-TOP-SHOPS FROM MOLDOVA, USAID Business Regulatory and Tax Administration Reform (BIZTAR) Project, May 2008.**

	Procedures in construction	Physical visits for Chisinau	Physical visits after the enforcement of the law	Comments
	<b>STAGE I. GETTING CITY PLANNING CERTIFICATE (PERMISSION TO START PROJECT DESIGN)</b>	<b>16</b>	<b>5</b>	<b>Number of visits for the first stage decreases by 11 or 69%. It is important to mention that the stage of issuing the urban planning certificate will be considerably simplified, because a number of documents will not be required that involve the implication of specialists, for example, the draft project, which will be required only at stage II (obtaining the construction authorization). This fact is very important because the urban planning certificate is requested usually by non-specialists, owners of land plots or real estate, usually for informative purposes.</b>
*1	Request and obtain Real Estate Certificate from Cadastre	2	2	This procedure has existed but it was not identified by Doing Business. The excerpt is valid 2 months.
*2	Request and obtain Topographic Map	2	excluded	Topographic map is issued by a sub-division of the Mayoralty. The topographic map includes as well the placement of utility network. Their placement is updated periodically by the sub-division of the Mayoralty. The new law stipulates that the local public authorities cannot ask for other documents than those stipulated expressly by law. Moreover, the law forces the authorities to organize themselves better: - to ensure the information of applicants on correct filling in of application on receiving the urban planning certificate and construction/demolition authorization; - to ensure the interaction between its subdivisions to obtain the necessary documentation without involving the applicant. Hence, procedures 2 and 3 will disappear after the law enters into force.
*3	Request and obtain Landplot Boarder Lines (Red Lines)	2	excluded	The need to issue the redlines by the Municipality depends from case to case
4	Approve Object General Scheme at Chief Architect from Chisinau	1	1	In Doing Business this procedure is called "Establishment and obtaining the project in accordance with the city planning documentation from the Design Institute of Moldova on Engineering and Research Works". Since in Chisinau there is the city planning documentation, and the urban planning certificate

				<p>stipulates the legal, economic, and technical and urban-architectural regimes, this document will not be requested after the new law enters into force. But, besides this document, local public authorities, in most cases, were requiring the draft project before issuing the urban planning certificate. After approving the draft project and submitting other necessary documents and notification, the urban planning certificate was issued. This procedure was not identified by Doing Business, but it will be kept in the new law. Therefore, we have decided to equal the draft project with the procedure mentioned in Doing Business. The approval of the draft usually takes one day, i.e. the applicant while discussing with the Architect of the Municipality explains the solution showing a draft and receives at the same time, the acceptance or rejection (objections). This procedure was kept here but after the entry into force of the new law, it will be included in the next stage (stage II that follows after the issuance of urban planning certificate).</p>
*5	Submit request for City Planning Certificate from City Architect and get table for agreements	1	1	<p>After the enforcement of the law, there will be no agreements and hence, the table for agreements.</p>
6	Request and obtain location clearance from Fire Authorities	2	excluded	<p>The specialized authorities offer this clearance at the stage of developing the urban planning documentation, which identifies certain zones that do not allow or need more severe regulation of placing certain types of construction such as houses, industrial buildings, etc. Moreover, there is a range of normative documents that stipulate norms in construction to ensure the observance of essential requirements:</p> <ul style="list-style-type: none"> <li>A – resistance and stability;</li> <li>B – security in exploitation;</li> <li>C – fire security;</li> <li>D – hygiene, human health, restoration and environmental protection;</li> <li>E – thermal isolation, waterproof and energy savings,</li> <li>F – protection against the noise.</li> </ul> <p>If the abovementioned norms regulate these fields, the request of an agreement from the specialized authorities is an overlapping that is not necessary, and just represents an essential barrier in business activity, offering discretionary powers to authorities and by creating premises for corruption.</p> <p>Moreover, since the existing legislation does not stipulate expressly the authorities involved in the clearance, in reality, the economic agents are forced to get the clearance from other public authorities besides the fire, sanitary, and ecological services.</p> <p>Therefore, the new law will exclude expressly the need for any clearance.</p>
7	Request and obtain location clearance from Sanitary Authorities	2	excluded	
8	Request and obtain location clearance from Ecological Authorities	2	excluded	

*9	Submit all set of documents to city architect office to get the City Planning Certificate	1	excluded	When the new law will enter into force, this procedure will have no sense because the application has been submitted at the procedure 5.
10	Obtain City Planning Certificate	1	1	Until recently, according to the Government Decision No. 360 of 18.04.1997, the issuance of urban planning certificate was lasting up to 30 days. The new law stipulates 20 days for issuing the certificate. As a matter of fact, the term was modified by Law No. 830, No.835-XIII of May 17, 1996 on urban planning and territorial development principles. According to the modifications that have entered into force at the date of publication on 30.05.2008, urban planning certificate is issued within 19 days (15 days for decision making, 1 day for communicating the decision to the solicitant, 3 for printing the document from the date of receiving the payment for issuance fee). Taking into account that is unlikely that the applicant will pay the fee immediately he/she receives the notification, we can state that the duration is usually longer than 19 days. New law stipulates 20 days that include all procedures.
	<b>STAGE II. GETTING CONSTRUCTION AUTHORIZATION (DEVELOPING PROJECT DESIGN)</b>	<b>39</b>	<b>17</b>	<b>Number of visits for the 2<sup>nd</sup> stage shall decrease by 22 or 56%. It is important that this stage is implemented usually by specialists – licensed planning companies – that obtain for the drafted project all the documentation and necessary clearance. Moreover, all these procedures are undertaken during the planning period that can last more months. Consecutively, the duration of the procedures is overlapping with some planning works and do not affect the total duration of the planning.</b>
N/A	Contract Project Design from a public or private licensed Architect Company			
11	Request and obtain technical conditions for electricity connection from Union Fenosa	2	2	Although there is a need for planning and obtaining the construction authorization, currently, the notification to connect to grids are not regulated. Hence, the decision on payment and duration of these notifications is at the discretion of the grids' owners. According to the applicants, these notifications although are not issued by public authorities represent a huge barrier in their activity. Therefore it was decided to regulate the issuance of these notifications that are needed further for issuing the construction authorization. The issuance period will not exceed 20 days (according to Doing Business, these lasted up to 30 days) and will be issued free of charge (in accordance with Doing Business those were issued not free of charge).
12	Request and obtain technical conditions for electricity connection from street lighting service provider Lumteh (public lighting provider)	2	2	
14	Request and obtain technical conditions for water and industrial sewage from Apa Canal	2	2	

15	Request and obtain technical conditions for sewage system from Exdrupo	2	2	Moreover, besides the notification, currently, the applicants should coordinate the draft documentation with the holders of the networks. These additional procedures were not identified by Doing Business, but represent important barriers that involve time and additional costs. The new law stipulates expressly that the coordination with the holders of the networks are not allowed.
16	Request and obtain technical conditions for telephone connection from MoldTelecom	2	2	
17	Request and obtain technical conditions for heating services from Termokom	2	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	excluded	New law stipulates that local public authorities cannot require other documents than those stipulated expressly by law. Moreover, the law forces the authorities to organize themselves better: - to ensure the information of applicants on correct filling in of application on receiving the urban planning certificate and construction/demolition authorization; - to ensure the interaction between its subdivisions to obtain the necessary documentation without involving the applicant. Hence, procedure 19 will disappear after the law enters into force.
20	Request and obtain expertise clearance from Fire Department	2	excluded	The specialized authorities offer this clearance at the stage of developing the urban planning documentation, which identifies certain zones that do not allow or need more severe regulation of placing certain types of construction such as houses, industrial buildings, etc. Moreover, there is a range of normative documents that stipulate norms in construction to ensure the
21	Request and obtain expertise clearance from Health Department	2	excluded	

22	Request and obtain expertise clearance from Environmental Protection Agency			<p>observance of essential requirements:</p> <ul style="list-style-type: none"> <li>A – resistance and stability;</li> <li>B – security in exploitation;</li> <li>C – fire security;</li> <li>D – hygiene, human health, restoration and environmental protection;</li> <li>E – thermal isolation, waterproof and energy savings,</li> <li>F – protection against the noise.</li> </ul> <p>If the abovementioned norms regulate these fields, the request of an agreement from the specialized authorities is an overlapping that is not necessary, and just represents an essential barrier in business activity, offering discretionary powers to authorities and by creating premises for corruption.</p>
		2	excluded	
*23	Request and obtain of expertise/clearance from the road police			<p>Moreover, since the existing legislation does not stipulate expressly the authorities involved in the clearance, in reality, the economic agents are forced to get the clearance from other public authorities besides the fire, sanitary, and ecological services.</p> <p>Therefore, the new law will exclude expressly the need for any clearance.</p>
		2	excluded	
*24	Project documentation clearance by the Architect of local public authorities			<p>This procedure has always existed but it was not identified by Doing Business. Procedure is carried out before the expertise of project documentation. The purpose of this procedure is that the planning institution should coordinate the urban planning and architectural aspect of the project before having substantial costs of project expertise.</p>
		2	2	
25	Request and obtain expertise of project documents at the State Service for Verification and Expertise of Projects in Construction			<p>According to Law No. 721 on Quality in Constructions, State Service on Verification and Expertise of Projects and Construction verifies the project documentation related to the observance of normative documents related to essential requirements, and namely:</p> <ul style="list-style-type: none"> <li>A – resistance and stability;</li> <li>B – security in exploitation;</li> <li>C – fire security;</li> <li>D – hygiene, human health, restoration and environmental protection;</li> <li>E – thermal isolation, waterproof and energy savings,</li> <li>F – protection against the noise.</li> </ul> <p>If the abovementioned norms regulate these fields, the request of an agreement from the specialized authorities is an overlapping that is not necessary, and just represents an essential barrier in business activity, offering discretionary powers to authorities and by creating premises for corruption.</p>
		2	2	Therefore, the above-mentioned verification is enough and the clearance of

				other public authorities is not necessary any more. Hence, the new law will exclude expressly the need of any clearance. The new law will stipulate as well the maximum term for the verification procedure – 30 days, as it was identified by Doing Business.
26	Request and obtain construction permit from the local public administration			Until recently, according the Government Decision No. 360 of 18.04.1997, the construction authorization was issued within 30 calendar days, which equaled to 22 working days. The new law stipulates 15 days for issuance of the certificate. Actually, the term was modified by Law No.280 that modified Law No.830, No.835-XIII of May 17, 1996 on urban planning and territorial development principles. According to the modifications that have entered into force at the date of publication on 30.05.2008, urban planning certificate is issued within 19 days (15 days for decision making, 1 day for communicating the decision to the solicitant, 3 for printing the document from the date of receiving the payment for issuance fee). Taking into account that is unlikely that the applicant will pay the fee immediately he/she receives the notification, we can state that the duration is usually longer than 19 days. New law stipulates 15 days that include all procedures, which is 4 days less than stipulated by Law No. 835.
	<b>STAGE III. GETTING FUNCTIONING AUTHORIZATION (CONSTRUCTION AND REGISTRATION OF REAL ESTATE)</b>	<b>2</b>	<b>2</b>	<b>Suggested draft law does not cover the procedures from stage III, besides the procedures 24 and 25 that represent notifications of authorization on starting the constructions. These procedures do not represent a barrier because do not need physical travel au authorities. According to new law, these procedures will be kept. The other procedures included at stage III will be essentially streamlined in the elaboration of a new draft law which will take into account the acceptance of construction.</b>
		<b>18</b>	<b>18</b>	
27	Notify construction authorities on the beginning of construction	0	0	
*28	Notify mayoralty authorities on the beginning of construction	0	0	
29	Receive inspection on foundation works by State Construction Inspectorate (1)	1	1	
30	Receive inspection on structure works by State Construction Inspectorate (2)	1	1	

31	Receive inspection on roof works by State Construction Inspectorate (3)	1	1	
32	Request and connect to water and sewage services	1	1	
33	Request power connection services and sign contract	1	1	
34	Final inspection by a Commission	1	1	
35	Connect to power services	1	1	
36	Request and connect to phone services	1	1	
*37	Request and obtain Topographic Map (includes drawing utility networks build to the facility)	2	2	
38	Receive final inspection by State Construction Inspectorate and sign the Act of completion of construction	2	2	
39	Request and obtain the Act of completion of construction works by Working Commission	2	2	
40	Request and receive the Act of completion of construction works by State Commission	2	2	
41	Register the building at Agency of Cadastre	2	2	
	<b>TOTAL</b>	<b>73</b>	<b>40</b>	<b>Streamlining the number of visits at the stages I and II will reduce the total number of visits at the Dealing with Licenses indicator by 33 or by 45%. These changes will essentially improve Moldova's situation at the chapter Dealing with Licenses indicator and will have a positive effect on the improvement of general Ease of Doing Business indicator.</b>

Additional procedures that were not reflected by Dealing with Licenses indicator