

## Problems and Challenges

- Construction considered to be one of the most corruptive sectors
- Illegal constructions and Weak enforcement
- Room for multiple interpretation of certain norms arising from numerous legislative gaps;
- Eighteen normative acts regulating construction sector, covering Construction permit issuance, State supervision over construction and putting completed premises into operation.
- Construction Permit - Documents and approvals from 5-10 state or municipal authorities were required. Time required for obtaining permits was one year on average
- Putting premises into operation - Unreasonably prolonged process, 30 or 60 days, depending on the type of premises; Redundant commissions created on ad-hoc basis
- Mandatory state expertise on construction projects – high costs, inefficiency and the State was not held accountable in case of poorly conducted expertise
- Significant burden for investment attraction.

## Solution

The reform was implemented in two phases: The fundamental reform of the licensing system of the country was carried out in 2005 when the framework *Law of Georgia on Licenses and Permits was adopted*. The Law incorporates two major principles in the license and permit issuance procedure:

- One-Stop-Shop principle – The License/Permit issuing body itself ensures approval of additional license/permit terms by other administrative bodies;
- Silence Is Consent – The License/Permit issuing body shall make decision within the set timeframe from submission of the application. If a decision is not made within the set time, the license/permit shall be deemed granted.
- The Government Resolution on Construction Permit Issuance Procedure and Permit Terms – The two most significant amendments and supplements that were made to the Resolution included:
  - A new rule for putting completed premises into commission has been established – The practice of putting premises into exploitation by ad-hoc commissions has been abolished; The authority of accepting the object into exploitation has been transferred to the permit issuer; The need in excessive signatures which, in its turn, removed the respective sources of corruption from the process has been abolished; The stage-by-stage procedure of putting completed premises into operation has been defined; Stages of construction, completion of which requires examination by the respective authority of the state supervision have been outlined; A timeframe for putting completed premises into exploitation has been unified and equaled: 30 days for all types of premises
  - Updated procedure for conducting mandatory expertise - Normative acts governing the procedures of mandatory state complex expertise have been abolished. Merely buildings of special importance (airports, stations, bridges, motorways, hydropower stations, masts, etc.) are subject to mandatory expertise. The exclusive authority of the state owned private company for conducting the state expertise has been terminated. This authority was transferred to all who meet requirements determined under the Ministerial Order.

Result in brief of changes in 2005-2006:  
– significantly reduced number of procedures for obtaining construction permit, on average, from 29 to 17;  
– average time required for obtaining permits reduced from 285 days to 137 days;  
– Georgia's ranking in the WB Doing Business Survey 2007 on Dealing with Licenses category improved from 152<sup>nd</sup> to 42<sup>nd</sup>.

## Second stage of Reform

- Confirming the engineering and public utility connections - The requirement of confirming the engineering and public utility connections has been removed from the procedure of issuing construction

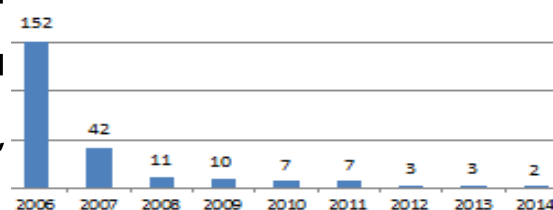
permits and occupancy certificates. The owner has the freedom to choose the arrangement of sources of energy at his own discretion - either registering as a customer of public utility companies or looking for alternative sources of energy.

- Approval of architectural project - At the II stage of the construction permit issuance procedure, the approval of the architectural project, is mandatory only in the zones of cultural heritage. Previously, this requirement was relevant for all construction types. The possibility of unnecessary interference and disputes over architectural resolutions has been removed, which now depends on the creativity of the architect.
- Issuance of construction permit – For the issuance of a construction permit and commissioning of the object, building complexity has been divided into five classes according to various risk factors. Special identified characteristics of the classes are connected with various risk factors. List of documentation required at the 3<sup>rd</sup> stage of permit issuance procedure has been specified for each class of the building. Project documents of different specifications are requested for construction of e.g. 100 m<sup>2</sup> individual residential houses and multi-storey apartment blocks, because of risk factors. Municipal agencies are solely responsible for issuing construction permits for all classes, except class V, which is the Ministry's responsibility.
- Issuance of construction permit – Currently, on territories where there is a development plan. The first stage is not necessary and the development plan serves as the terms of construction. The requirement for submitting extract from the National Public Registry for obtaining construction permit has been removed (just parcel registration number is required in the application)
- Putting Completed Premises into Exploitation - Reduced time for putting completed premises into exploitation from 30 to 15 days for certain classes

## Results

- Increased number of Foreign Direct Investment in the Construction Sector
- Corruption in licensing and permitting eliminated
- One-stop shop and 'silence is consent' principles in construction permitting
- Risk-based issuance of construction permits and Risk-based inspections of the buildings
- Conducting "state complex expertise" has been deregulated and left to the private sector
- "Taste" has been deregulated and left to the professionals, actors, clients and general public perception. This in effect:
  - Reduced procedures
  - Increased professional self-compliance
  - Limited need for professional councils/boards
  - Made it possible to quantify requirements, instead of having vague criteria
- Connecting utilities, which were usually understood as an integral process of construction permitting, have been separated. This is an interest of the commissioning party (and utilities) and can be performed in parallel from the permitting system
- A number of small-scale constructions have been exempted from the permitting process
- An electronic data processing administration has been initiated for construction permitting in the capital city of Tbilisi

WBDB "Dealing with Construction Permits" Indicator



### Result in brief:

- Georgia improved 150 places on the "Dealing with Construction Permits" indicator of the annual World Bank Doing Business (DB) Survey, from 152 on DB 2006 to 2 on DB 2014.
- The number of issued construction permits in Capital Tbilisi has increased almost five times from 2004 (0.5million sq.m) to 2008 (2.4 million sq.m)