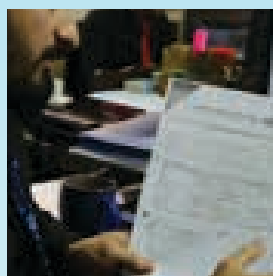


# Doing Business in Afghanistan 2017



WORLD BANK GROUP

Comparing Business Regulation for  
Domestic Firms in 5 Afghan Provinces  
with 189 Other Economies

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This publication was made possible through support provided by the USAID Mission in Afghanistan, U.S. Agency for International Development, under the terms of Award No. AID-EGEE-G-15-00001. The opinions expressed in this publication are those of the author(s) and do not necessarily reflect the views of the U.S. Agency for International Development.



# **Doing Business in Afghanistan 2017**

*Comparing Business Regulation for Domestic Firms  
in 5 Afghan Provinces with 189 Other Economies*

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*Doing Business in Afghanistan 2017* is the first report of the subnational *Doing Business* series in Afghanistan. It measures business regulations and their enforcement in 5 provinces. The provinces are compared against each other, and with 189 other economies worldwide.

Comparisons with other economies are based on the indicators in *Doing Business 2017: Equal Opportunity for All*, the 14th in a series of annual reports published by the World Bank Group. The indicators in *Doing Business in Afghanistan 2017* are also comparable with more than 400 locations from 65 economies benchmarked in other subnational *Doing Business* studies. All data and reports are available at [www.doingbusiness.org/subnational](http://www.doingbusiness.org/subnational).

*Doing Business* investigates the regulations that enhance business activity and those that constrain it. Regulations affecting four areas of the life of a business are measured at the subnational level in Afghanistan: starting a business, dealing with construction permits, getting electricity and registering property. These indicators were selected because they cover areas of local jurisdiction or practice. The indicators are used to analyze economic outcomes and identify what reforms have worked, where and why. The data in *Doing Business in Afghanistan 2017* are current as of November 1, 2016.

This project was implemented by the Global Indicators Group (Development Economics) of the World Bank Group as a component of the Investment Climate Program in Afghanistan.







# Overview

## MAIN FINDINGS

- Where entrepreneurs in Afghanistan establish their businesses matters for the regulatory hurdles they face. Regulatory quality and efficiency vary across locations in the four areas benchmarked—starting a business, dealing with construction permits, getting electricity and registering property—because of differences in local interpretations of the law and in the efficiency of local agencies responsible for administering regulation.
- Good practices can be found across Afghanistan in all four areas of regulation. Reform-minded policy makers can make tangible improvements by replicating measures already successfully implemented within the country.
- By adopting all the good practices found at the subnational level, Afghanistan would move substantially closer to the frontier of regulatory best practices—and jump 11 places in the global ranking of 190 economies on the ease of doing business, moving up from 183 to 172.

At the October 2016 Brussels Conference on Afghanistan the government presented its five-year strategic plan for achieving self-reliance, the National Peace and Development Framework. The 70 countries and 30 international organizations represented at the conference pledged development aid of US\$3.8 billion a year over the next four years. This high level of sustained support indicates confidence among the international community in Afghanistan's development prospects. Earlier the same year Afghanistan was formally admitted to the World Trade Organization. The benefits are already tangible: annual exports have increased to US\$570 million, up by US\$150 million since 2013. Good news also comes from the country's industrial sector, where growth rose from 2.4% in 2014 to 4.1% in 2015. Afghanistan also strengthened its fiscal position through key policy reforms relating to revenue mobilization and expenditure controls.<sup>1</sup>

Despite these encouraging signs, Afghanistan still faces tremendous development challenges. The country's overall economic growth slowed from an average 9.4% a year in 2003–12 to 1.5% in 2014 and 2% in 2015.<sup>2</sup> Its GDP per capita is among the lowest in the world (figure 1.1).<sup>3</sup> With a population growth rate estimated at 3% a year, along with sluggish GDP growth and a deteriorating security situation, Afghanistan has seen increases in poverty.<sup>4</sup> Moreover, while the country remains the world's largest recipient of aid, international assistance has been on the decline since 2012. It is vital that the government identify new sources of growth to offset the declining donor inflows.

Private sector development is a strategic priority as Afghanistan attempts to move out of aid dependency. The Afghan private sector is still narrow: labor force participation is slightly under 50%, domestic credit to the private sector stands at 4% of GDP (well below the average for low-income countries of 28% of GDP), and gross domestic private investment

is only 5.9% of GDP.<sup>5</sup> Addressing private sector constraints will be key to achieving sustained growth in the long run—along with reducing political uncertainty, security concerns, pervasive corruption and a shortage of skilled workers.

It is not easy to do business in countries affected by war and violence. Conflict has a particularly acute impact on the formal private sector. Human capital is lost as a result of violence or migration. Infrastructure and institutions are destroyed. Access to finance becomes difficult. Nevertheless, many fragile and conflict-affected states have been able to improve their business environment in a number of regulatory areas (figure 1.2). Most improvements over the past decade have occurred in the areas of business entry, secured transactions and tax compliance requirements.

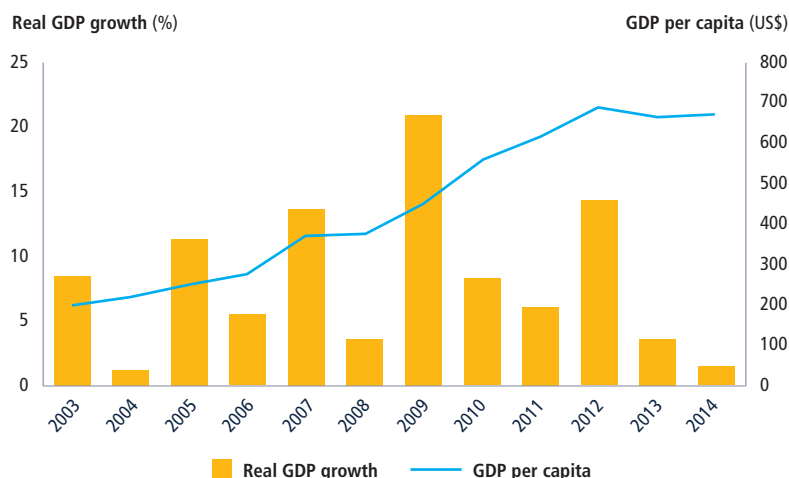
The government of Afghanistan, aware of the importance of the investment climate to economic development, set private sector development as one of the priorities in the New National Priority Programs presented at the Brussels Conference on Afghanistan in October 2016.<sup>6</sup> Some important initiatives to improve the business regulatory environment are already under way (box 1.1).

Business regulation reforms would help in creating an environment more conducive to private sector growth and in attracting more foreign direct investment—reforms leading to a well-regulated land market, streamlined licensing procedures for establishing a formal business, and efficient and transparent processes for obtaining construction permits and electricity connections.<sup>7</sup> Reforms of regulatory institutions can improve transparency, professionalism and customer service—all key to strengthening government legitimacy. Higher levels of regulatory efficiency and quality are also associated with lower levels of corruption (figure 1.3).

## WHAT DOES DOING BUSINESS IN AFGHANISTAN 2017 MEASURE?

*Doing Business* studies business regulation from the perspective of small to medium-size domestic firms. A fundamental premise of *Doing Business* is that economic activity benefits from good rules and institutions. These include rules that establish and clarify property rights, increase the predictability of economic interactions and provide contractual

**FIGURE 1.1** Afghanistan's GDP growth has slowed, and its GDP per capita remains among the world's lowest

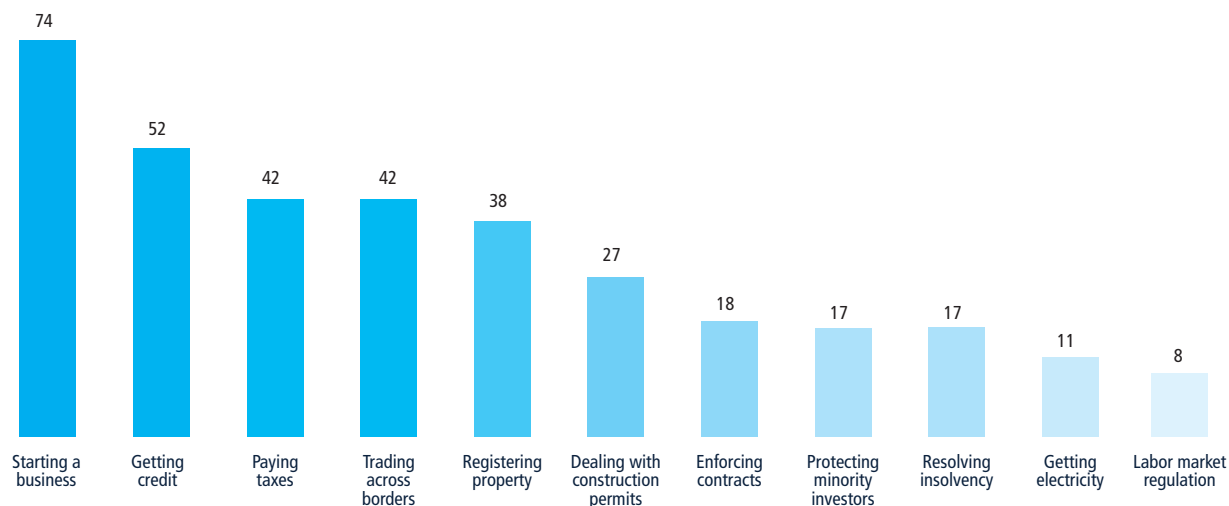


Source: Adapted from World Bank Group, *Afghanistan: Systematic Country Diagnostic* (Washington, DC: World Bank, 2016).



**FIGURE 1.2** Fragile and conflict-affected states have implemented many regulatory reforms over the past decade in areas measured by *Doing Business*

Number of reforms, 2005–16



Source: *Doing Business* database.

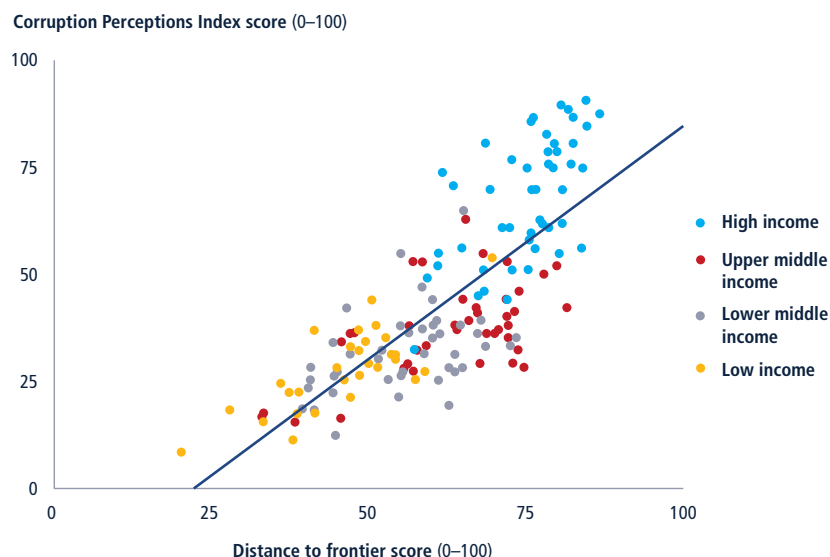
Note: The 34 fragile and conflict-affected states as defined by the World Bank for fiscal 2017 are Afghanistan, Burundi, the Central African Republic, Chad, the Comoros, the Democratic Republic of Congo, Côte d'Ivoire, Djibouti, Eritrea, The Gambia, Guinea-Bissau, Haiti, Iraq, Kiribati, Kosovo, Lebanon, Liberia, Libya, Madagascar, Mali, the Marshall Islands, the Federated States of Micronesia, Myanmar, Papua New Guinea, Sierra Leone, the Solomon Islands, Somalia, South Sudan, Sudan, the Syrian Arab Republic, Togo, West Bank and Gaza, the Republic of Yemen and Zimbabwe. Reforms in getting electricity are counted since 2010. Reforms affecting the labor market regulation indicators are included here but do not affect the ranking on the ease of doing business. An economy can be considered to have only one *Doing Business* reform per topic and year.

partners with core protections against abuse. The objective: transparent regulations designed to be efficient, accessible to all and simple to implement.

Over the past decade Afghanistan has implemented regulatory reforms in five areas measured by *Doing Business*, most notably in starting a business, where it stands at 42 in the *Doing Business* 2017 global ranking of 190 economies, and in getting credit, where it is at 101 in the ranking.<sup>8</sup> Yet more needs to be done. Afghanistan performs worse than the average for fragile and conflict-affected states in 8 of 10 areas measured by *Doing Business* (figure 1.4).

**Over the past decade Afghanistan has implemented regulatory reforms in five areas measured by *Doing Business*—most notably in starting a business, where it stands at 42 in the *Doing Business* 2017 global ranking of 190 economies.**

**FIGURE 1.3** Higher levels of regulatory efficiency and quality are associated with lower levels of corruption



Sources: *Doing Business* database; Corruption Perceptions Index 2015, Transparency International, <https://www.transparency.org/cpi2015/>.

Note: The distance to frontier score shows how far an economy is from the best performance achieved by any economy on each *Doing Business* indicator. Higher scores indicate greater regulatory efficiency and quality. The sample includes 165 economies covered by both *Doing Business* and the Corruption Perceptions Index 2015. Relationships are significant at the 1% level after controlling for income per capita.

### BOX 1.1 Recent initiatives to improve the Afghan business regulatory environment

During 2016 Afghan authorities took important steps toward making it easier to do business. One area of focus was the process of starting a business. Before, there were two business licenses: one for import and export activities, issued by the Ministry of Commerce and Industries, and one for nontrading activities, issued by the Afghanistan Investment Support Agency. In practice, many companies had to obtain both licenses in order to operate. A transition to a new licensing system, with a single business license, started in Kabul in late 2016. The changes were progressively rolled out to the provinces beyond the capital.

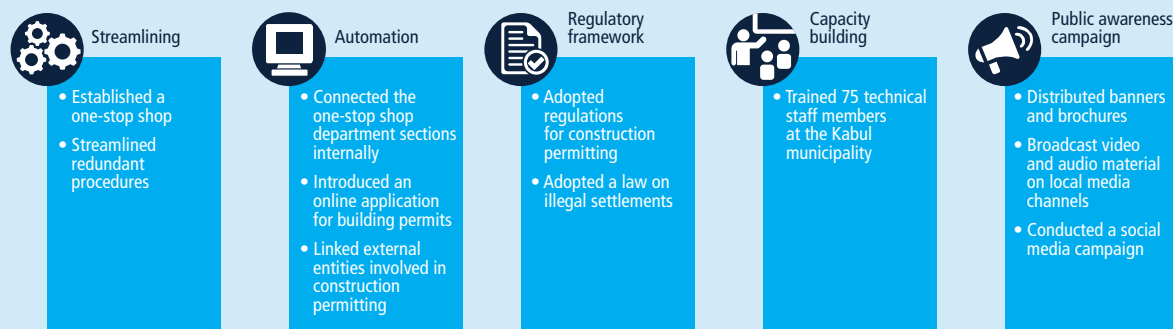
The new license is to be issued for a period of three years. The changes benefit all local companies, but particularly those operating outside Kabul, where both types of licenses had to be renewed yearly under the old system (for more details, see the chapter on starting a business).

The new licensing system could potentially make the start-up process faster and easier—though also more expensive. Implementing regulatory changes across different locations presents many challenges. Once the implementation is complete, it will be possible to assess the full impact of the changes.

Efforts have also been made to improve the process of obtaining construction permits. Recent changes in this area were focused in Kabul (see figure). A new regulatory framework was introduced, with a modern set of standard operating procedures and official time limits. A one-stop shop bringing together different municipal offices was set up, along with a web-based service. The initiative also included training for 75 technical staff members at the Kabul municipality and an awareness campaign directed at construction practitioners and other stakeholders.

The initiative focused on residential and high-rise commercial construction. The next step could be to make the process more efficient for all types of construction, including smaller commercial buildings such as the one in the *Doing Business* case study, as well as to reduce the cost of obtaining building permits (for more details, see the chapter on dealing with construction permits).

#### Recent improvements in the construction permitting process in Kabul



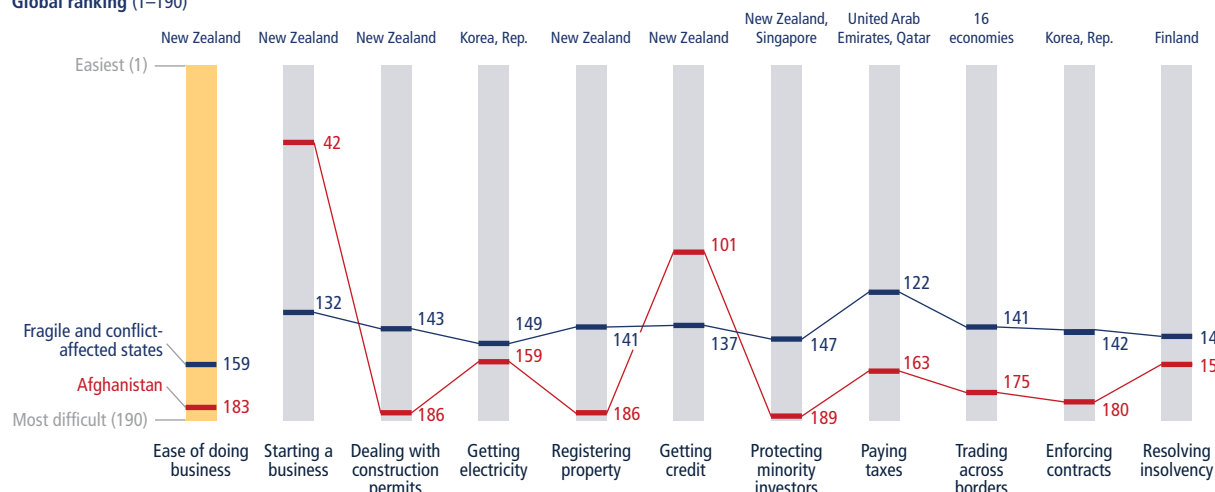
In the annual *Doing Business* report comparing 190 economies around the world, Afghanistan is represented by Kabul, its capital and largest business center, accounting for 11% of the country's population.<sup>9</sup> Yet Kabul does not tell the full story. Entrepreneurs operating in different parts of Afghanistan face different local regulatory practices. *Doing Business in Afghanistan 2017*, the first subnational *Doing Business* study for the country, benchmarks four additional provinces: Balkh, Herat, Kandahar and Nangarhar, where the largest business cities are Mazar-i-Sharif, Herat, Kandahar and Jalalabad (figure 1.5).

The objective of the study is to gain a broader understanding of the business regulatory environment across Afghanistan as well as to provide good-practice examples and reform recommendations to help guide policy at the national and subnational levels. The study focuses on indicator sets that measure the complexity and cost of regulatory processes affecting four stages in the life of a small to medium-size domestic firm—starting a business, dealing with construction permits, getting electricity and registering property. These four indicator sets were selected because they relate to areas of business regulation in

which implementation of the common legal and regulatory framework differs across locations—because of differences in local interpretations of the law and in the resources and efficiency of local agencies responsible for administering regulation. While highly centralized line ministries hold the direct formal authority for the delivery of most services in the provinces, cutting across this system are the provincial governors, who have little formal responsibility for service delivery but wield local power and authority. The report also includes a gender dimension, with the indicator sets for starting a business and registering property expanded

**FIGURE 1.4** How does Afghanistan's performance on *Doing Business* indicators compare with the average for fragile and conflict-affected states?

Global ranking (1–190)



Source: *Doing Business* database.

Note: The figure shows data for the 34 fragile and conflict-affected states as defined by the World Bank for fiscal 2017. For more details, see the note to figure 1.2.

to account for gender-differentiated practices.

The data for the study are based on relevant laws, regulations, decrees and fee schedules as well as responses to questionnaires from more than 100 local

experts from the private sector across the country. The respondents include lawyers, architects, engineers, construction companies, professional associations and others who regularly carry out or advise firms on the procedures required in each of the benchmarked areas. Public officials

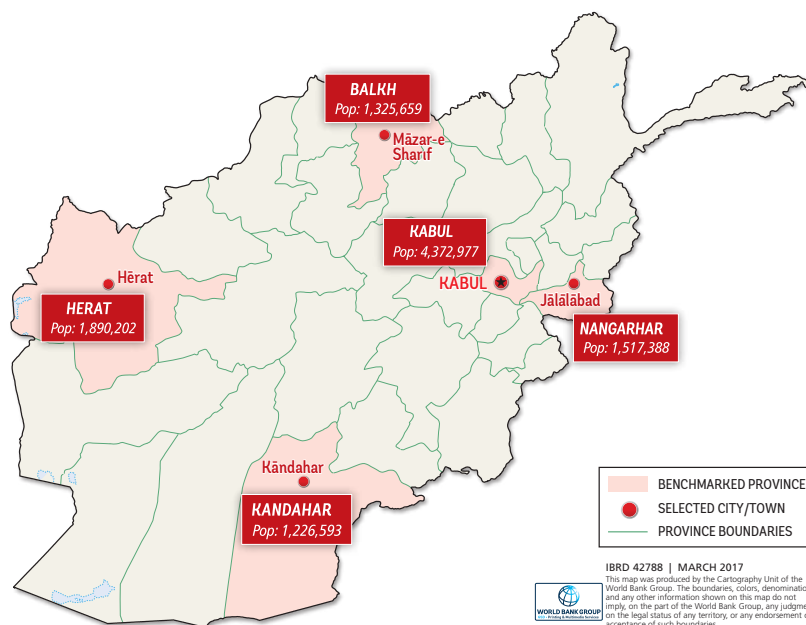
from all levels of government also contributed information. The data are current as of November 2016.<sup>10</sup>

## WHAT ARE THE FINDINGS?

*Doing Business in Afghanistan 2017* does not measure all aspects of the business environment that matter to firms or investors—such as macroeconomic stability, the size of the market, the state of the financial system or the quality of human capital. The indicators focus on areas relevant to small and medium-size enterprises in which provincial and municipal authorities have greater scope for action. The results reveal substantial variation in business regulations and their implementation across Afghanistan.

Kabul leads in two of the areas measured, starting a business and getting electricity (table 1.1). However, it does not perform equally well in dealing with construction permits and registering property. With the capital undergoing rapid growth, Kabul faces a massive volume of applications for building permits and property transfers. Some

**FIGURE 1.5** *Doing Business in Afghanistan* benchmarks four provinces in addition to Kabul



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Source: Central Statistics Organization, Afghanistan, <http://www.cso.gov.af/en> (for population data).

TABLE 1.1 Where is doing business easier in Afghanistan—and where not?

Province (City)	Starting a business		Dealing with construction permits		Getting electricity		Registering property		Rank
	DTF score	Rank	DTF score	Rank	DTF score	Rank	DTF score	Rank	
Balkh (Mazar-i-Sharif)	86.19	2	38.43	2	44.03	2	36.72	2	1
Herat (Herat)	85.94	4	27.62	4	38.95	5	24.17	5	2
Kabul (Kabul)	92.08	1	22.39	5	45.04	1	27.50	4	3
Kandahar (Kandahar)	86.19	2	39.29	1	42.36	4	40.31	1	4
Nangarhar (Jalalabad)	85.94	4	31.71	3	42.94	3	35.60	3	5

Source: Doing Business database.

Note: Rankings for the four areas measured are based on the distance to frontier (DTF) score, which shows how far a province is from the best performance achieved by any economy on each *Doing Business* indicator. The distance to frontier score is normalized to range from 0 to 100, with 100 representing the frontier of best practices (the higher the score, the better). For more information, see the chapter “About *Doing Business* and *Doing Business in Afghanistan 2017*” and the data notes.

measures have already been taken to reduce backlogs. A one-stop shop for issuing construction permits has been established at the Kabul municipality, and a pilot project is being promoted to make registering property an administrative process rather than one managed by the courts.

Kandahar ranks first in dealing with construction permits and registering property. Balkh (Mazar-i-Sharif) does not rank first in any area measured, but comes in second in all four. Balkh has benefited from relative security in recent years, allowing the province to develop good practices in all the areas under analysis. Balkh also benefits from the highest rate of female economic participation among the five provinces.<sup>11</sup>

Herat and Nangarhar (Jalalabad), with the highest poverty rates among the five provinces, do not perform equally well. These provinces are the only two with no ranking in the top two positions in any of the areas measured.

A granular look at the results leads to several observations. First, there are important differences in performance across locations. For dealing with construction permits, for example, Kandahar has a distance to frontier score of 39.29 while Kabul has a score of only 22.39—a difference of almost 17 points. Similarly,

**Kabul's top rankings in starting a business and getting electricity reflect reforms that were implemented only in the capital. Rolling these reforms out across Afghanistan would benefit entrepreneurs in other provinces and urban centers.**

for registering property Kandahar has a distance to frontier score of 40.31, ahead of Bangladesh (27.58), while the scores for Kabul (27.50) and Herat (24.17) rank them as the worst performers in South Asia. These gaps suggest that there are important lessons that Afghan locations can learn from one another.

Second, Kabul's top rankings in starting a business and getting electricity reflect reforms that were implemented only in the capital. Rolling these reforms out across Afghanistan would benefit entrepreneurs in other provinces and urban centers. Kabul's top rankings in these areas also reflect Afghanistan's highly centralized administration system (box 1.2). Entrepreneurs completing some types of regulatory processes in other provinces need to obtain permission from central authorities in the capital—such as for obtaining a new electricity connection. This adds to the procedures, delays and costs they face in doing business. In areas of regulation where there

is more subnational autonomy, however, local agencies in other provinces offer examples of good practice in how to reduce the time, cost and complexity of bureaucratic processes.

Third, while the five Afghan provinces have made progress in converging toward global good practices for starting a business, all of them lag behind most other economies in the areas of dealing with construction permits, getting electricity and registering property. A comparison of distance to frontier scores provides perspective. For starting a business, the provinces have an average score of 87.27, outperforming the global average (82.28). But in the other three areas measured, Afghanistan's average score is at least 23 points lower than the global average (figure 1.6). Afghanistan should therefore benefit from replicating good practices in other economies if it is to move toward international standards in dealing with construction permits, getting electricity and registering property.

**In areas of regulation where there is more subnational autonomy, local agencies in other provinces offer examples of good practice in how to reduce the time, cost and complexity of bureaucratic processes.**

### BOX 1.2 The framework of subnational governance in Afghanistan

Afghanistan's public sector is highly centralized. The central administration consists of around 54 government units—including ministries, departments, agencies and independent directorates. Central government ministries and institutions are considered primary budget units. Afghanistan's 34 provinces, which vary widely in population size, are not designated budget units. Services at the provincial level are delivered by line ministries, agencies and provincial administrations.

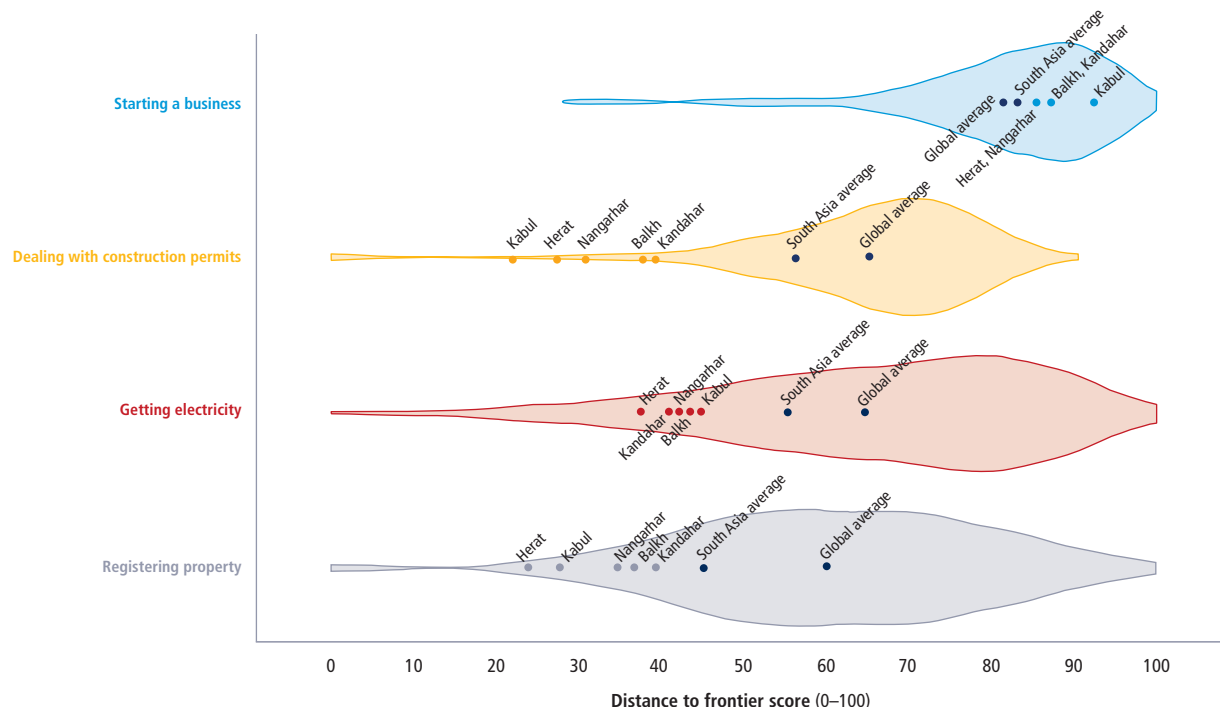
Provincial offices generally have limited staff and capacity, and there are often overlapping roles and responsibilities, including between provincial governors (appointed by the president of Afghanistan), line ministries and provincial councils (directly elected by citizens). Provincial councils exercise only limited oversight over the provincial governors and provincial line departments.

In 2016 the Ministry of Finance prepared a provincial budget policy—now approved by the Cabinet of Ministers—that could greatly enhance the role of provincial line departments and administrations in both planning and budget execution.<sup>a</sup> Resolving the ambiguity around the overlapping authority of line ministries and provincial governors over provincial line departments would help clarify the subnational governance framework and strengthen the legitimacy and accountability of the public sector. However, efforts to move service delivery toward the provincial level need to take into consideration transparency issues at this level as well as provincial capacity to deliver.

The Independent Directorate for Local Governance (IDLG), established by a presidential decree in August 2007, is responsible for the overall system of intergovernmental relations, including provincial, district, village and municipal affairs. Within the IDLG, the General Directorate for Municipal Affairs is responsible for managing municipal affairs. Municipalities are constitutionally recognized as local government entities, created to manage urban affairs, and therefore have their own budgets. They are largely self-sustained entities that fund the provision of urban services through local revenue collection. But they face capacity constraints in delivering services to growing urban populations. Mayors are centrally appointed, and budgets centrally approved. The Kabul municipality has a special legal and political status: it is independent from the IDLG and reports directly to the Office of the President.

a. World Bank Group, *Afghanistan Country Snapshot*, October 2016 (Washington, DC: World Bank Group, 2016).

FIGURE 1.6 The five Afghan provinces lag behind the global average in all areas measured except starting a business



Source: *Doing Business* database.

Note: The figure illustrates the distribution of the 190 economies in the *Doing Business* sample by their distance to frontier score for each indicator set. The higher the concentration of economies with a certain distance to frontier score, the greater the width. The distance to frontier score shows how far an economy is from the best performance achieved by any economy on each *Doing Business* indicator. The measure is normalized to range from 0 to 100, with 100 representing the frontier of best practices (the higher the score, the better).

## WAY FORWARD

Publishing comparable data on the ease of doing business in different locations within a country can help drive regulatory reform—because it is difficult for local governments to justify regulatory practices that make doing business in their city or province more burdensome than in neighboring locations. Moreover, sharing the same national legal and regulatory framework makes it easier to adopt the good practices of other locations. Even small administrative improvements, requiring no major regulatory changes, can make a big difference in the life of a small or medium-size firm. This study identifies specific opportunities in each area (table 1.2), as well as local and global good practices.<sup>12</sup> In addition, some cross-cutting issues emerge, such as the limited authority of institutions at the subnational level, the often outdated legislative frameworks and the lack of transparency.

### Cross-cutting issues

A first critical need is to strengthen the legitimacy, accountability and capacity of the public sector at the subnational level. Overlapping institutional mandates and unclear roles and responsibilities need to be clarified, and the ambiguity around the overlapping authority of line ministries and provincial governors resolved. To reduce the regulatory burden for companies will require building subnational capacity to deliver business regulation services and coordinating the different levels of government and institutions. This would also facilitate the implementation of reforms beyond the capital. A document presented by the Afghan government at the London Conference

on Afghanistan in 2014, *Towards Self-Reliance: Commitments to Reform and Renewed Partnership*, recognizes the importance of developing adequate institutions and service delivery at the local level. Stronger local governments would enhance efficiency in the provinces and at the same time liberate resources in Kabul, where many bureaucratic processes are centralized.

Except in Kabul, the role of the municipality in approving building permits, for example, overlaps with that of the provincial branch of the Ministry of Urban Development. Similarly, to obtain an electricity connection, entrepreneurs outside Kabul need to interact with both the utility's headquarters and its local office. Balkh (Mazar-i-Sharif) and Nangarhar (Jalalabad) show how improving internal processes at the utility can save time in issuing approvals and allow applicants to obtain permission for a new connection without traveling to the capital.

**To improve safety in the construction industry, the Kabul municipality recently adopted a regulation specifying the rules and requirements for getting final approval for a newly constructed building. Local initiatives like this one could converge into a national construction law.**

Another cross-cutting issue is the need to update legislative frameworks. Building regulations, for example, are outdated and fragmented, creating serious public safety risks. To improve safety in the construction industry, the Kabul municipality recently adopted a regulation introducing occupancy certificates that specifies the rules and requirements for getting final approval from the municipality for a newly constructed building. Local initiatives like this one could converge into a national construction law.

Property registration happens through the courts; making it an administrative

process would save time for judges as well as entrepreneurs. The Cabinet of Ministers recently decided that property registration should move from the courts to the Afghanistan Independent Land Authority (Arazi) as an administrative system. A pilot project is due to start soon in Herat and Kabul.

Steps have also been taken toward reviewing the legislative framework for getting electricity. Parliament approved the Electrical Energy Services Regulating Law in January 2016. But the law does not address all legislative gaps. For example, it does not establish an independent regulator.

To have a positive effect on the business climate, enforcement and implementation are as crucial as good laws. Effective implementation starts with the drafting of the regulatory framework, which should be based on wide consultation with public and private stakeholders. Legislative amendments should be clearly communicated to local implementing agencies, to the business and legal communities and to the general public. To ensure that the changes are understood and put into practice, the text of the new law should be accompanied by guidelines on how to interpret it.

Providing accessible, user-friendly information on regulations and procedures is important in all areas of business regulation. Where applicants lack such information, they have greater difficulty holding government bodies accountable, a situation fostering informality and corruption. Afghanistan has among the lowest performance globally on the *Doing Business* measure of the accessibility and transparency of building regulations. For example, entrepreneurs lack prior knowledge of the necessary fees, documents and administrative steps for obtaining a building permit. But Kabul recently took notable steps toward improving public access to information for building permit applications. It developed process guidelines, checklists and standardized

**Stronger local governments would enhance efficiency in the provinces and at the same time liberate resources in Kabul, where many bureaucratic processes are centralized.**



TABLE 1.2 Suggested regulatory reforms to improve the ease of doing business in Afghanistan

Suggested reforms	Relevant agencies and other stakeholders
<b>Starting a business</b>	
<p><b>Recommendations at the national level</b></p> <ul style="list-style-type: none"> <li>Streamline the start-up process by eliminating outdated requirements</li> <li>Continue simplifying licensing requirements for local businesses</li> <li>Undertake a legal review of gender-based discriminatory laws</li> </ul> <p><b>Recommendations at the subnational level</b></p> <ul style="list-style-type: none"> <li>Take stock of the experience with Kabul's one-stop shop to improve efficiency</li> <li>Implement reforms beyond the capital city</li> </ul>	<p><b>National</b></p> <ul style="list-style-type: none"> <li>Afghanistan Central Business Registry and Intellectual Property (ACBRIP)</li> <li>Ministry of Commerce and Industries</li> <li>Ministry of Finance</li> </ul> <p><b>Subnational</b></p> <ul style="list-style-type: none"> <li>Provincial offices of ACBRIP</li> </ul>
<b>Dealing with construction permits</b>	
<p><b>Recommendations at the national level</b></p> <ul style="list-style-type: none"> <li>Adopt simple fee schedules based on objective criteria for issuing building permits</li> <li>Overhaul the system for inspections during construction</li> <li>Introduce stricter standards for the professionals involved in the permitting process</li> </ul> <p><b>Recommendations at the subnational level</b></p> <ul style="list-style-type: none"> <li>Modernize and clarify the legislative framework, following the reform process started by the Kabul municipality</li> <li>Merge the functions of municipalities and Departments of Urban Development, as in Kabul</li> <li>Make the permitting process more transparent, following the reform process started by the Kabul municipality</li> <li>Reduce the cost of the process in Kabul</li> </ul>	<p><b>National</b></p> <ul style="list-style-type: none"> <li>Independent Directorate for Local Governance</li> <li>Ministry of Urban Development</li> </ul> <p><b>Subnational</b></p> <ul style="list-style-type: none"> <li>Department of Urban Development</li> <li>Municipal building office</li> </ul> <p><b>Others</b></p> <ul style="list-style-type: none"> <li>Professional associations (architects and engineers)</li> <li>Private water and sanitation companies</li> </ul>
<b>Getting electricity</b>	
<p><b>Recommendations at the national level</b></p> <ul style="list-style-type: none"> <li>Reduce the up-front cost of obtaining a new connection</li> <li>Improve the transparency of connection requirements and consumption tariffs</li> <li>Introduce independent regulatory oversight to monitor utility reliability</li> </ul> <p><b>Recommendations at the subnational level</b></p> <ul style="list-style-type: none"> <li>Improve coordination between DABS headquarters and regional offices, as in Balkh and Nangarhar</li> <li>Transfer the authority to issue approvals for new transformers to DABS regional offices</li> </ul>	<p><b>National</b></p> <ul style="list-style-type: none"> <li>Da Afghanistan Breshna Sherkat (DABS)</li> <li>Ministry of Energy and Water</li> </ul> <p><b>Subnational</b></p> <ul style="list-style-type: none"> <li>Regional offices of DABS</li> </ul> <p><b>Others</b></p> <ul style="list-style-type: none"> <li>Authorized electrical installation companies</li> <li>Professional associations (engineers)</li> </ul>
<b>Registering property</b>	
<p><b>Recommendations at the national level</b></p> <ul style="list-style-type: none"> <li>Make standardized forms and fee schedules available at primary courts</li> <li>Digitize land-related records and processes</li> <li>Improve tenure security and dispute resolution mechanisms for land</li> <li>Replace the property valuation process with a standardized schedule of property values</li> <li>Streamline internal processes</li> <li>Consolidate postregistration procedures</li> <li>Make transparency of information a priority</li> </ul> <p><b>Recommendations at the subnational level</b></p> <ul style="list-style-type: none"> <li>Make property registration an administrative process, as in the pilot project announced for Herat and Kabul</li> </ul>	<p><b>National</b></p> <ul style="list-style-type: none"> <li>Ministry of Justice</li> <li>Afghanistan Independent Land Authority (Arazi)</li> </ul> <p><b>Subnational</b></p> <ul style="list-style-type: none"> <li>Primary courts</li> <li>Makhzan (appeals court archives)</li> <li>Mustofiat (Ministry of Finance's provincial revenue department)</li> <li>Milkiat-ha (municipal property office)</li> </ul>

Note: For a detailed explanation of each recommendation, see the section "What can be improved?" in each topic chapter. For details on the time and cost associated with each procedure in the four areas measured, see the corresponding list of procedures.

forms and made them available at the municipality and online. It also carried out a broad communication campaign to familiarize industry professionals with the regulation. This initiative can serve as an example of good practice that could be replicated in other provinces.

Similar efforts could make it easier to obtain useful information on property registration and the electricity connection process. Land-related information should be made publicly available, including information on fees, procedures and property transactions. Electricity utilities should clearly explain to customers exactly what is needed to obtain a new connection in terms of procedures, time and cost. Information on consumption tariffs should also be made easily accessible.

### Local and global good practices

Policy makers in Afghanistan could start by taking advantage of the findings of this subnational study—to understand the sources of local variations and

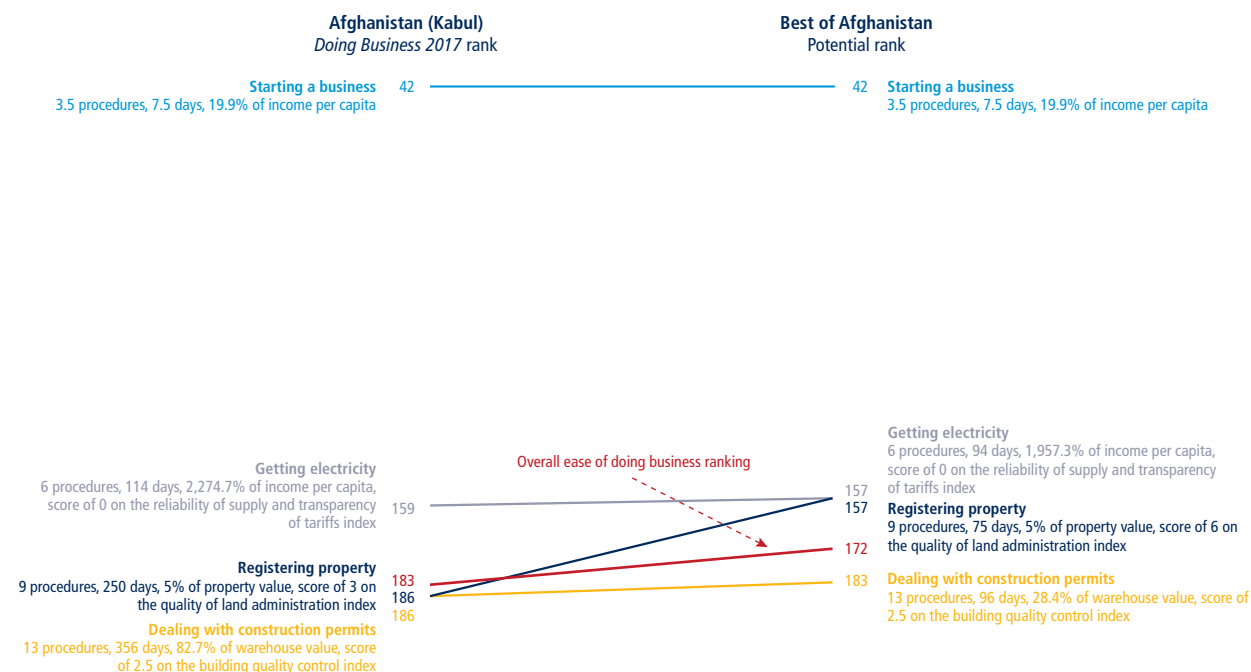
replicate the good practices identified. If the country were to adopt all the good practices documented across the five provinces, its overall performance would improve (figure 1.7). Take the example of registering property. A hypothetical location where the process takes 9 procedures (as in Kabul) and 75 days (as in Kandahar), and that has a score of 6 on the quality of land administration index (as in Balkh), would stand at 157 in the global ranking—almost 30 places higher than Afghanistan's current ranking (186) and 12 places higher than Pakistan's (169). For dealing with construction permits, a location where the process takes 96 days and costs 28.4% of the warehouse value (as in Kandahar), and requires 13 procedures and rates a score of 2.5 on the building quality control index (as in Kabul), would have a distance to frontier score of 41.12. That's nearly 20 points higher than Afghanistan's current score (22.39), now the lowest globally—and higher than India's (32.83).<sup>13</sup>

For the four areas measured, Afghanistan's current distance to frontier score as recorded by *Doing Business 2017* averages 46.75. Adopting all the good practices found at the subnational level would increase that average by 10 points, to 56.89—and the country would jump 11 places in the global ranking on the overall ease of doing business, from 183 to 172. Afghanistan would no longer be the lowest-ranked economy in South Asia.<sup>14</sup>

Promoting peer-to-peer learning would provide opportunities for national, provincial and municipal policy makers to share their good practices in some areas while learning from others about what has worked better elsewhere in other areas. The results would benefit all.

Designing and implementing a reform plan to improve the business climate in a country can be a challenging task—because it requires the participation of multiple government agencies as well as coordination efforts and

FIGURE 1.7 How much would Afghanistan improve its global ranking by adopting all the good practices found at the subnational level?



Source: *Doing Business* database.

Note: For starting a business, the figure shows procedures and time as the average for men and women.

technical capacity. But the government of Afghanistan has started to make important strides in this direction. The implementation of reforms making it easier to start a business put the country among the top-performing economies on the ease of starting a business since 2010. This successful experience could be replicated to expand the reform efforts to other areas.

Governments that succeed in sustaining regulatory reform programs take a comprehensive approach that targets multiple areas of regulation. Afghanistan could benefit from the experience of committed reformers around the world. Rwanda, for example, undertook a review of internal processes, prioritized areas for reform and set up a regulatory reform committee to ensure coordination of implementation efforts across agencies and to regularly monitor progress. Similar committees have been established at the interministerial and even municipal level in a wide range of economies—including Colombia, India, Indonesia, Mexico, Nigeria, Pakistan and Poland.

Business regulation reforms can have large payoffs. Higher rankings on the ease of doing business are associated with more growth, more jobs, a smaller informal sector and greater foreign direct investment.<sup>15</sup> These reforms also expand the reach of regulation by bringing firms and employees into the formal sector. There, workers can have health insurance and pension benefits. Businesses pay taxes. Products are subject to quality standards. In addition, formal firms have greater access to bank credit to fund expansion—and greater access to courts to resolve disputes. Business regulation reforms that reduce informality and enforce property rights benefit the most vulnerable groups, including women, who make up a large share of the informal sector.

## NOTES

- Domestic revenues reached 10.2% of GDP in 2015 (up from 8.7% in 2014) and were 30% higher in the first eight months of 2016 than for the same period in 2015. World Bank, *Afghanistan Development Update, October 2016* (Washington, DC: World Bank, 2016).
- World Bank Group, *Afghanistan Country Snapshot, October 2016* (Washington, DC: World Bank Group, 2016).
- World Bank Group Data, <http://data.worldbank.org/indicator>.
- The poverty rate increased from 36% in 2011–12 to 39% in 2013–14. World Bank Group, *Afghanistan Country Snapshot, October 2016* (Washington, DC: World Bank Group, 2016).
- World Bank Group, *Country Partnership Framework for Islamic Republic of Afghanistan for the Period FY17 to FY20* (Washington, DC: World Bank, 2016).
- See Islamic Republic of Afghanistan, *Afghanistan National Peace and Development Framework (ANPDF), 2017 to 2021* (Kabul, 2016).
- Foreign direct investment remains low in Afghanistan. Inflows steadily increased between 2001 and 2005, reaching US\$271 million. With the deterioration in national security, inflows have decreased and been more erratic since 2006, standing at US\$54 million in 2014, according to the United Nations Conference on Trade and Development (UNCTAD).
- World Bank, *Doing Business 2017: Equal Opportunity for All* (Washington, DC: World Bank, 2016).
- Population data are from the Central Statistics Organization, Afghanistan, <http://www.cso.gov.af/en/page/demography-and-social-statistics/demograph-statistics/3897111>. *Doing Business 2017* covers 11 indicator sets and 190 economies. Most indicator sets refer to a case scenario in the largest business city of each economy, though for 11 economies with a population of more than 100 million (Bangladesh, Brazil, China, India, Indonesia, Japan, Mexico, Nigeria, Pakistan, the Russian Federation and the United States) *Doing Business* also collected data for the second largest business city.
- Data for Kabul are as of June 2016. For more details, see the chapter “About *Doing Business* and *Doing Business in Afghanistan 2017*,” the data notes and the list of contributors in the acknowledgments.
- World Bank Group, *Afghanistan Provincial Briefs, December 2016* (Washington, DC: World Bank Group, 2016).
- All reform recommendations are detailed in the “What can be improved?” section of each topic chapter.
- While Afghanistan’s distance to frontier score for dealing with construction permits (22.39) is the lowest globally, the country’s ranking in this area is 186 among 190 economies because four are considered to be no-practice economies (Eritrea, Libya, Somalia and the Syrian Arab Republic).
- If all good practices were adopted, Afghanistan would rank ahead of Bangladesh, currently at 176 in the global ranking.
- On average across economies, a difference of 1 percentage point in regulatory quality as measured by the *Doing Business* distance to frontier score is associated with a difference in annual foreign direct investment inflows of US\$250–500 million, according to John Anderson and Adrian Gonzalez, “Does *Doing Business* Matter for Foreign Direct Investment?” in World Bank, *Doing Business 2013: Smarter Regulations for Small and Medium-Size Enterprises* (World Bank: Washington, DC, 2012). Findings on a smaller informal sector are from Simeon Djankov, Caralee McLiesh and Rita Ramalho, “Regulation and Growth,” *Economics Letters* 92, no. 3 (2006): 395–401.

# REPORT METHODOLOGY AND SCOPE

The first subnational report of the *Doing Business* series in Afghanistan

Full report: [www.doingbusiness.org/afghanistan](http://www.doingbusiness.org/afghanistan)

**D**oing Business in Afghanistan 2017 focuses on business regulations and their enforcement in four *Doing Business* areas. It goes beyond Kabul to benchmark four additional Afghan provinces—Balkh (Mazar-i-Sharif), Herat (Herat), Kandahar (Kandahar) and Nangarhar (Jalalabad).

This report contains provincial data current as of November 2016 and includes comparisons with Kabul and other economies based on data from *Doing Business 2017: Equal Opportunity for All*.

*Doing Business* measures aspects of regulation that enable or hinder entrepreneurs in starting, operating or expanding a business—and provides recommendations and good practices for improving the business environment.

## Four *Doing Business* indicator sets covering areas of local jurisdiction or practice



### Starting a business

Records the procedures, time, cost and paid-in minimum capital required for a small or medium-size domestic limited liability company to formally operate; includes a gender dimension to account for any gender discriminatory practices.



### Getting electricity

Records the procedures, time and cost required for a business to obtain a permanent commercial electricity connection for a standardized warehouse; assesses the reliability of the electricity supply and the transparency of tariffs.



### Dealing with construction permits

Records the procedures, time and cost required for a small or medium-size domestic business to obtain the approvals needed to build a commercial warehouse and connect it to water and sewerage; assesses the quality control and safety mechanisms in the construction permitting system.



### Registering property

Records the procedures, time and cost required to transfer a property title from one domestic firm to another so that the buyer can use the property to expand its business, use it as collateral or, if necessary, sell it; assesses the quality of the land administration system; includes a gender dimension to account for any gender discriminatory practices.

## Four provinces beyond Kabul:

**BALKH**

**HERAT**

**KANDAHAR**

**NANGARHAR**

## Advantages and limitations of the *Doing Business* methodology

### Focus on the law

Makes the indicators “actionable” because the law is what policy makers can change, but allows less ability to reflect the degree of compliance with the law.

### Use of standardized case scenarios

Enables comparability across locations, but reduces the scope of the data.

### Reliance on expert respondents

Reflects knowledge of those with most experience, but allows less ability to capture variation in experiences among entrepreneurs.

### Focus on domestic and formal sector

Keeps attention on the formal sector, where firms are most productive, but does not reflect the informal sector or foreign firms.

### *Doing Business* does not cover:

- ✗ Security
- ✗ Market size
- ✗ Macroeconomic stability
- ✗ State of the financial system
- ✗ Prevalence of bribery and corruption
- ✗ Level of training and skills of the labor force



**WORLD BANK GROUP**

A collaboration between the World Bank Group Global Indicators Group, the International Finance Corporation and World Bank country offices. Funded by the U.S. Agency for International Development (USAID).





## About *Doing Business* and *Doing Business in Afghanistan 2017*

- *Doing Business* measures aspects of business regulation affecting domestic small and medium-size firms in 11 areas across 190 economies. *Doing Business in Afghanistan 2017* covers 4 of these areas: starting a business, dealing with construction permits, getting electricity and registering property.
- *Doing Business* and *Doing Business in Afghanistan 2017* do not capture other aspects of the business environment, such as security, market size, macroeconomic stability and the prevalence of bribery and corruption.
- The *Doing Business* methodology is based on standardized case scenarios in the largest business city of each economy. Subnational *Doing Business* studies expand the *Doing Business* analysis beyond this largest business city to measure variations in regulations or in the implementation of national laws across locations within an economy or a region. *Doing Business in Afghanistan 2017* relies on the following main sources of information: the relevant laws and regulations, private sector respondents, government officials, court officials and World Bank Group staff.
- *Doing Business* includes a gender dimension in 4 of the 11 indicator sets. Starting a business, registering property and enforcing contracts present a gender dimension for the first time in the *Doing Business 2017* report. Labor market regulation already captured gender-disaggregated data in the *Doing Business 2016* report.



The foundation of *Doing Business* is the notion that economic activity, particularly private sector development, benefits from clear and coherent rules: rules that set out and clarify property rights and facilitate the resolution of disputes, and rules that enhance the predictability of economic interactions and provide contractual partners with essential protections against arbitrariness and abuse. Such rules are much more effective in shaping the incentives of economic agents in ways that promote growth and development where they are reasonably efficient in design, are transparent and accessible to those for whom they are intended and can be implemented at a reasonable cost. The quality of the rules also has a crucial bearing on how societies distribute the benefits and finance the costs of development strategies and policies.

Good rules are a key to social inclusion. Enabling growth—and ensuring that all people, regardless of income level, can participate in its benefits—requires an environment where new entrants with drive and good ideas can get started in business and where good firms can invest and expand. The role of government policy in the daily operations of domestic small and medium-size firms is a central focus of the *Doing Business* data. The objective is to encourage regulation that is designed to be efficient, accessible to all and simple to implement. Onerous regulation diverts the energies of entrepreneurs away from developing their businesses. But regulation that is efficient, transparent and implemented in a simple way facilitates business expansion and innovation, and makes it easier for aspiring entrepreneurs to compete on an equal footing.

*Doing Business* measures aspects of business regulation for domestic firms through an objective lens. The focus of the project is on small and medium-size companies in the largest business city of an economy. Based on standardized case studies, *Doing Business* presents

quantitative indicators on the regulations that apply to firms at different stages of their life cycle. The results for each economy can be compared with those for 189 other economies and over time.

### FACTORS MEASURED BY DOING BUSINESS AND DOING BUSINESS IN AFGHANISTAN 2017

*Doing Business* captures several important dimensions of the regulatory environment as it applies to local firms. It provides quantitative indicators on regulation for starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency (table 2.1). *Doing Business* also measures features of labor market regulation. Although the *Doing Business* 2017 report does not present rankings of economies on the labor market regulation indicators or include the topic in the aggregate distance to frontier score or ranking on the

ease of doing business, it does present the data for these indicators.

The subnational *Doing Business* studies expand the *Doing Business* analysis beyond the largest business city of an economy. They measure variation in regulations or in the implementation of national laws across locations within an economy or a region. Projects are undertaken at the request of governments.

Data collected by subnational studies over the past three years show that there can be substantial variation within an economy (figure 2.1). In Mexico in 2016, for example, registering a property transfer took as few as 9 days in Puebla and as many as 78 in Oaxaca. Indeed, within the same economy one can find locations that perform as well as economies ranking in the top 20 on the ease of registering property and locations that perform as poorly as economies ranking in the bottom 40 on that indicator.

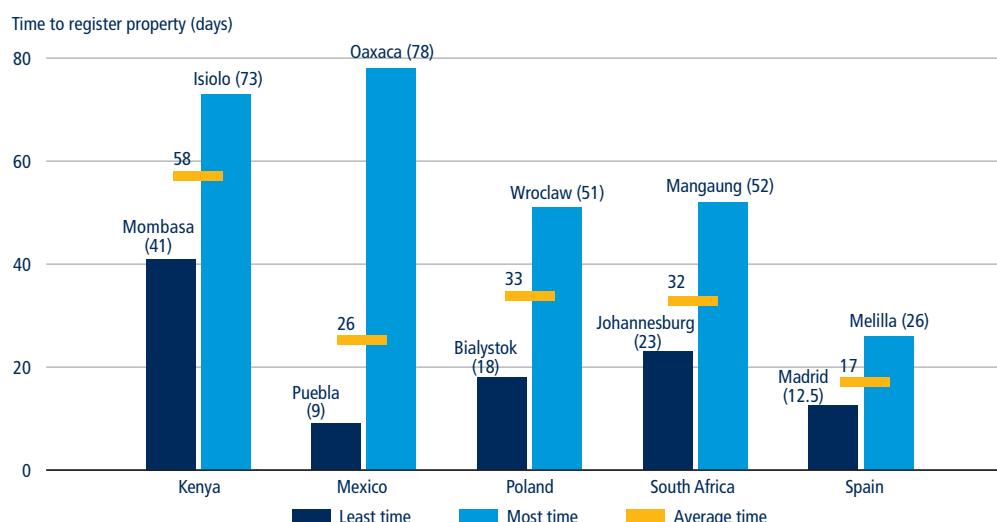
While subnational *Doing Business* studies generate disaggregated data on business regulation, they go beyond a

TABLE 2.1 What *Doing Business* measures—11 areas of business regulation

Indicator set	What is measured
Starting a business	Procedures, time, cost and paid-in minimum capital to start a limited liability company
Dealing with construction permits	Procedures, time and cost to complete all formalities to build a warehouse and the quality control and safety mechanisms in the construction permitting system
Getting electricity	Procedures, time and cost to get connected to the electrical grid, the reliability of the electricity supply and the transparency of tariffs
Registering property	Procedures, time and cost to transfer a property and the quality of the land administration system
Getting credit	Movable collateral laws and credit information systems
Protecting minority investors	Minority shareholders' rights in related-party transactions and in corporate governance
Paying taxes	Payments, time and total tax rate for a firm to comply with all tax regulations as well as post-filing processes
Trading across borders	Time and cost to export the product of comparative advantage and import auto parts
Enforcing contracts	Time and cost to resolve a commercial dispute and the quality of judicial processes
Resolving insolvency	Time, cost, outcome and recovery rate for a commercial insolvency and the strength of the legal framework for insolvency
Labor market regulation	Flexibility in employment regulation and aspects of job quality



FIGURE 2.1 Different locations, different regulatory processes, same economy



Source: Subnational *Doing Business* database.

Note: The average time shown for each economy is based on all locations covered by the data: 11 cities in Kenya in 2016, 32 states in Mexico in 2016, 18 cities in Poland in 2015, 9 cities in South Africa in 2015 and 19 cities in Spain in 2015.

data collection exercise. They have been shown to be strong motivators for regulatory reform at the local level:

- Results can be benchmarked both locally and globally because the data produced are comparable across locations within the economy and internationally. Comparing locations within the same economy—which share the same legal and regulatory framework—can be revealing: local officials struggle to explain why doing business is more challenging in their jurisdiction than in a neighboring one.
- Highlighting good practices that exist in some locations but not others within an economy helps policy makers recognize the potential for replicating these good practices. This can yield discussions about regulatory reform across different levels of government, providing opportunities for local governments and agencies to learn from one another and resulting in local ownership and capacity building.

Since 2005 subnational reports have covered 438 locations in 65 economies,

including Colombia, the Arab Republic of Egypt, Italy, the Philippines and Serbia. Seventeen economies—including Indonesia, Kenya, Mexico, Nigeria, the Philippines and the Russian Federation—have undertaken two or more rounds of subnational data collection to measure progress over time. Last year a subnational study was completed in Kenya and Mexico and last year a subnational study was completed in the United Arab Emirates. Ongoing studies include those in Colombia (32 cities), three European Union member states (22 cities in Bulgaria, Hungary and Romania) and Kazakhstan (8 cities).

*Doing Business in Afghanistan 2017* is the first report of the subnational *Doing Business* series in Afghanistan. This first edition of *Doing Business in Afghanistan* covers four provinces—Balkh (Mazar-i-Sharif), Herat (Herat), Kandahar (Kandahar) and Nangarhar (Jalalabad)—in addition to Kabul.

### How the indicators are selected

The choice of the 11 sets of *Doing Business* indicators has been guided by economic research and firm-level data,

particularly data from the World Bank Enterprise Surveys.<sup>1</sup> These surveys provide data highlighting the main obstacles to business activity as reported by entrepreneurs in more than 130,000 firms in 139 economies. Access to finance and access to electricity, for example, are among the factors identified by the surveys as important to businesses—inspiring the design of the *Doing Business* indicators on getting credit and getting electricity.

The design of the *Doing Business* indicators has also been informed by theoretical insights gleaned from extensive research and the literature on the role of institutions in enabling economic development. In addition, the background papers developing the methodology for each of the *Doing Business* indicator sets have established the importance of the rules and regulations that *Doing Business* focuses on for such economic outcomes as trade volumes, foreign direct investment, market capitalization in stock exchanges and private credit as a percentage of GDP.<sup>2</sup>

Some *Doing Business* indicators give a higher score for more regulation and better-functioning institutions (such as

courts or credit bureaus). Higher scores are given for stricter disclosure requirements for related-party transactions, for example, in the area of protecting minority investors. Higher scores are also given for a simplified way of applying regulation that keeps compliance costs for firms low—such as by easing the burden of business start-up formalities with a one-stop shop or through a single online portal. Finally, *Doing Business* scores reward economies that apply a risk-based approach to regulation as a way to address social and environmental concerns—such as by imposing a greater regulatory burden on activities that pose a high risk to the population and a lesser one on lower-risk activities. Thus the economies that rank highest on the ease of doing business are not those where there is no regulation—but those where governments have managed to create rules that facilitate interactions in the marketplace without needlessly hindering the development of the private sector.

The areas measured in *Doing Business in Afghanistan 2017* were selected in collaboration with the government of Afghanistan, on the basis of their relevance to the country context and ability to show variation across the provinces covered. The benchmarked provinces are those that meet minimum standards for measurement—sufficient economic activity within the locale, population size and demographic difference from the rest of the sample—and showed the greatest interest in participating in the subnational *Doing Business* study.

### **The distance to frontier and ease of doing business ranking**

To provide different perspectives on the data, *Doing Business* presents data both for individual indicators and for two aggregate measures: the distance to frontier score and the ease of doing business ranking. The distance to frontier score aids in assessing the absolute level of regulatory performance and how it improves over time. This measure shows the distance of each economy to the

“frontier,” which represents the best performance observed on each of the indicators across all economies in the *Doing Business* sample since 2005 or the third year in which data were collected for the indicator. The frontier is set at the highest possible value for indicators calculated as scores, such as the strength of legal rights index or the quality of land administration index. This underscores the gap between a particular economy’s performance and the best performance at any point in time and helps in assessing the absolute change in the economy’s regulatory environment over time as measured by *Doing Business*. The distance to frontier score is first computed for each topic and then averaged across all topics to compute the aggregate distance to frontier score. The ranking on the ease of doing business complements the distance to frontier score by providing information about an economy’s performance in business regulation relative to the performance of other economies as measured by *Doing Business*.

*Doing Business in Afghanistan 2017* includes rankings of the five provinces surveyed on four topics: starting a business, dealing with construction permits, getting electricity and registering property. The rankings presented are based on the distance to frontier score. The distance to frontier score captures the gap between a city’s performance and a measure of best practices across the areas covered by the report. For starting a business, for example, New Zealand has both the smallest number of procedures required (one) and the shortest time to fulfill them (0.5 days). Slovenia has the lowest cost (0.0), and Australia, Colombia and 111 other economies have no paid-in minimum capital requirement (table 2.2).

*Doing Business* uses a simple averaging approach for weighting component indicators, calculating rankings and determining the distance to frontier score.<sup>3</sup> Each topic covered by *Doing Business* relates to a different aspect of

the business regulatory environment. The distance to frontier scores and rankings of each economy vary, often considerably, across topics, indicating that a strong performance by an economy in one area of regulation can coexist with weak performance in another. One way to assess the variability of an economy’s regulatory performance is to look at its distance to frontier scores across topics. Morocco, for example, has an overall distance to frontier score of 67.50, meaning that it is two-thirds of the way from the worst to the best performance. Its distance to frontier score is 92.34 for starting a business, 83.51 for paying taxes and 81.12 for trading across borders. At the same time, it has a distance to frontier score of 33.89 for resolving insolvency, 45 for getting credit and 53.33 for protecting minority investors.

### **Calculation of the distance to frontier score**

Calculating the distance to frontier score for each economy involves two main steps. In the first step individual component indicators are normalized to a common unit where each of the 36 component indicators  $y$  (except for the total tax rate) is rescaled using the linear transformation  $(\text{worst} - y)/(\text{worst} - \text{frontier})$ . In this formulation the frontier represents the best performance on the indicator across all economies since 2005 or the third year in which data for the indicator were collected. Both the best performance and the worst performance are established every five years based on the *Doing Business* data for the year in which they are established, and remain at that level for the five years regardless of any changes in data in interim years. Thus an economy may set the frontier for an indicator even though it is no longer at the frontier in a subsequent year.

In the same formulation, to mitigate the effects of extreme outliers in the distributions of the rescaled data for most component indicators (very few economies need 700 days to complete the procedures to start a business, but many

TABLE 2.2 What is the frontier in regulatory practice in the areas measured by *Doing Business in Afghanistan 2017*?

Topic and indicator	Who set the frontier	Frontier	Worst performance
<b>Starting a business</b>			
Procedures (number)	New Zealand	1	18 <sup>a</sup>
Time (days)	New Zealand	0.5	100 <sup>b</sup>
Cost (% of income per capita)	Slovenia	0.0	200.0 <sup>b</sup>
Minimum capital (% of income per capita)	Australia; Colombia <sup>c</sup>	0.0	400.0 <sup>b</sup>
<b>Dealing with construction permits</b>			
Procedures (number)	No economy was at the frontier as of June 1, 2016.	5	30 <sup>a</sup>
Time (days)	Singapore	26	373 <sup>b</sup>
Cost (% of warehouse value)	No economy was at the frontier as of June 1, 2016.	0.0	20.0 <sup>b</sup>
Building quality control index (0–15)	Luxembourg; New Zealand	15	0 <sup>d</sup>
<b>Getting electricity</b>			
Procedures (number)	Germany; Republic of Korea <sup>e</sup>	3	9 <sup>a</sup>
Time (days)	Republic of Korea; St. Kitts and Nevis	18	248 <sup>b</sup>
Cost (% of income per capita)	Japan	0.0	8,100.0 <sup>b</sup>
Reliability of supply and transparency of tariffs index (0–8)	Belgium; Ireland; Malaysia <sup>f</sup>	8	0 <sup>d</sup>
<b>Registering property</b>			
Procedures (number)	Georgia; Norway; Portugal; Sweden	1	13 <sup>a</sup>
Time (days)	Georgia; New Zealand; Portugal	1	210 <sup>b</sup>
Cost (% of property value)	Saudi Arabia	0.0	15.0 <sup>b</sup>
Quality of land administration index (0–30)	No economy has attained the frontier yet.	30	0 <sup>d</sup>

Source: *Doing Business* database.

a. Worst performance is defined as the 99th percentile among all economies in the *Doing Business* sample.

b. Worst performance is defined as the 95th percentile among all economies in the *Doing Business* sample.

c. Another 111 economies also have a paid-in minimum capital requirement of 0.

d. Worst performance is the worst value recorded.

e. In 14 other economies it also takes only three procedures to get an electricity connection.

f. Another 23 economies also have a score of 8 on the reliability of supply and transparency of tariffs index.

need nine days), the worst performance is calculated after the removal of outliers. The definition of outliers is based on the distribution for each component indicator. To simplify the process two rules were defined: the 95th percentile is used for the indicators with the most dispersed distributions (including minimum capital and the time and cost indicators), and the 99th percentile is used for number of procedures (figure 2.2).

In the second step, for each economy the scores obtained for individual indicators are aggregated through simple averaging for each topic for which performance is measured and ranked; for the provinces in *Doing Business in Afghanistan 2017*, this is done for starting a business, dealing

with construction permits, getting electricity and registering property. More complex aggregation methods—such as principal components and unobserved components—yield a ranking nearly identical to the simple average used by *Doing Business*.<sup>4</sup> Thus *Doing Business* uses the simplest method: weighting all topics equally and, within each topic, giving equal weight to each of the topic components.

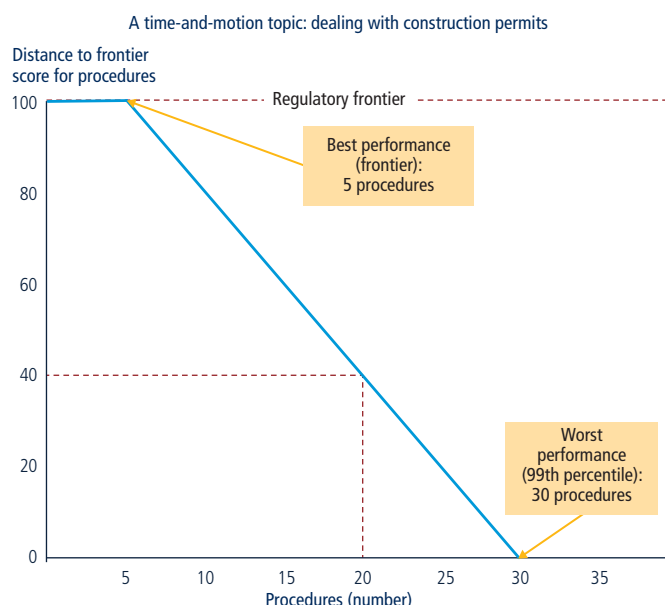
A province's distance to frontier score is indicated on a scale from 0 to 100, where 0 represents the worst performance and 100 the frontier. All distance to frontier calculations are based on a maximum of five decimals. However, indicator ranking calculations and the ease of doing

business ranking calculations are based on two decimals.

## FACTORS NOT MEASURED BY DOING BUSINESS AND DOING BUSINESS IN AFGHANISTAN 2017

Many important policy areas are not covered by *Doing Business*; even within the areas it covers its scope is narrow (table 2.3). *Doing Business* does not measure the full range of factors, policies and institutions that affect the quality of an economy's business environment or its national competitiveness. It does not, for example, capture aspects of macroeconomic stability, development

FIGURE 2.2 How are distance to frontier scores calculated for indicators? An example



Source: *Doing Business* database.

of the financial system, market size, the quality of the labor force or the incidence of bribery and corruption.

The focus is deliberately narrow even within the relatively small set of indicators included in *Doing Business*. The time and cost required for the logistical process of exporting and importing goods is captured in the trading across borders

indicators, for example, but these indicators do not measure the cost of tariffs or of international transport. *Doing Business* provides a narrow perspective on the infrastructure challenges that firms face, particularly in the developing world, through these indicators. It does not address the extent to which inadequate roads, rail, ports and communications may add to firms' costs and undermine

competitiveness (except to the extent that the trading across borders indicators indirectly measure the quality of ports and border connections). Similar to the indicators on trading across borders, all aspects of commercial legislation are not covered by those on starting a business or protecting minority investors. And while *Doing Business* measures only a few aspects within each area that it covers, business regulation reforms should not focus only on these aspects, because those that it does not measure are also important.

*Doing Business* does not attempt to quantify all costs and benefits of a particular law or regulation to society as a whole. The paying taxes indicators measure the total tax rate, which, in isolation, is a cost to businesses. However, the indicators do not measure—the benefits of the social and economic programs funded with tax revenues. Measuring the quality and efficiency of business regulation provides only one input into the debate on the regulatory burden associated with achieving regulatory objectives, which can differ across economies. *Doing Business* provides a starting point for this discussion and should be used in conjunction with other data sources.

TABLE 2.3 What *Doing Business* does not cover

#### Examples of areas not covered

Macroeconomic stability
Development of the financial system
Quality of the labor force
Incidence of bribery and corruption
Market size
Lack of security

#### Examples of aspects not included within the areas covered

In paying taxes, personal income tax rates
In getting credit, the monetary policy stance and the associated ease or tightness of credit conditions for firms
In trading across borders, export or import tariffs and subsidies
In resolving insolvency, personal bankruptcy rules

## ADVANTAGES AND LIMITATIONS OF THE METHODOLOGY

The *Doing Business* methodology is designed to be an easily replicable way to benchmark specific aspects of business regulation. Its advantages and limitations should be understood when using the data (table 2.4).

Ensuring comparability of the data across a global set of economies is a central consideration for the *Doing Business* indicators, which are developed around standardized case scenarios with specific assumptions. One such assumption is the location of a standardized business—the

**TABLE 2.4** Advantages and limitations of the *Doing Business* methodology

Feature	Advantages	Limitations
Use of standardized case scenarios	Makes data comparable across economies and methodology transparent, using case scenarios that are common globally	Reduces scope of data; only regulatory reforms in areas measured can be systematically tracked; the case scenarios may not be the most common in a particular economy
Focus on largest business city <sup>a</sup>	Makes data collection manageable (cost-effective) and data comparable	Reduces representativeness of data for an economy if there are significant differences across locations
Focus on domestic and formal sector	Keeps attention on formal sector—where regulations are relevant and firms are most productive	Unable to reflect reality for informal sector—important where that is large—or for foreign firms facing a different set of constraints
Reliance on expert respondents	Ensures that data reflect knowledge of those with most experience in conducting types of transactions measured	Indicators less able to capture variation in experiences among entrepreneurs
Focus on the law	Makes indicators “actionable”—because the law is what policy makers can change	Where systematic compliance with the law is lacking, regulatory changes will not achieve full results desired

Source: *Doing Business* database.

a. Subnational *Doing Business* studies go beyond the largest business city within a country or region.

subject of the *Doing Business* case study—in the largest business city of the economy. The reality is that business regulations and their enforcement may differ within a country, particularly in federal states and large economies. But gathering data for every relevant jurisdiction in each of the 190 economies covered by *Doing Business* is infeasible. Nevertheless, where policy makers are interested in generating data at the local level, beyond the largest business city, *Doing Business* has complemented its global indicators with subnational studies. Coverage was extended to the second largest business city in economies with a population of more than 100 million (as of 2013) in *Doing Business 2015*.

*Doing Business* recognizes the limitations of the standardized case scenarios and assumptions. But while such assumptions come at the expense of generality, they also help to ensure the comparability of data. Some *Doing Business* topics are complex, and so it is important that the standardized cases are defined carefully. For example, the standardized case scenario usually involves a limited liability company or its legal equivalent. There are two reasons for this assumption. First, private, limited liability companies

are the most prevalent business form (for firms with more than one owner) in many economies around the world. Second, this choice reflects the focus of *Doing Business* on expanding opportunities for entrepreneurship: investors are encouraged to venture into business when potential losses are limited to their capital participation.

Another assumption underlying the *Doing Business* indicators is that entrepreneurs have knowledge of and comply with applicable regulations. In practice, entrepreneurs may not know what needs to be done or how to comply and may lose considerable time trying to find out. Alternatively, they may deliberately avoid compliance altogether—by not registering for social security, for example. Where regulation is particularly onerous, firms may opt for bribery and other informal arrangements intended to bypass the rules—an aspect that helps explain differences between the de jure data provided by *Doing Business* and the de facto insights offered by World Bank Enterprise Surveys.<sup>5</sup> Levels of informality tend to be higher in economies with particularly burdensome regulation. Compared with their formal sector counterparts, firms in the informal sector typically grow more

slowly, have poorer access to credit and employ fewer workers—and these workers remain outside the protections of labor law and, more generally, other legal protections embedded in the law.<sup>6</sup> Firms in the informal sector are also less likely to pay taxes. *Doing Business* measures one set of factors that help explain the occurrence of informality and give policy makers insights into potential areas of regulatory reform.

## DATA COLLECTION IN PRACTICE

*Doing Business* data are based on a detailed reading of domestic laws and regulations as well as administrative requirements. The *Doing Business 2017* report covers 190 economies—including some of the smallest and poorest economies, for which little or no data are available from other sources. The data are collected through several rounds of communication with expert respondents (both private sector practitioners and government officials), through responses to questionnaires, conference calls, written correspondence and visits by the team. *Doing Business* relies on four main sources of information: the relevant laws and regulations, *Doing Business* respondents, the governments of the economies covered and the World Bank Group regional staff. For a detailed explanation of the *Doing Business* methodology, see the data notes.

### Relevant laws and regulations

Indicators presented in *Doing Business in Afghanistan 2017* are based on laws and regulations. Besides participating in interviews or filling out written questionnaires, respondents provided references to the relevant laws, regulations and fee schedules, which were collected and analyzed by the *Doing Business in Afghanistan 2017* team.

For the rest of the data, the team conducted extensive consultations with multiple contributors to minimize measurement

error. For some indicators—for example, those on dealing with construction permits—the time component and part of the cost component (where fee schedules are lacking) are based on actual practice rather than the law on the books. This introduces a degree of judgment by respondents on what actual practice looks like. When respondents disagree, the time indicators reported by *Doing Business in Afghanistan 2017* represent the median values of several responses given under the assumptions of the standardized case.

### **Doing Business in Afghanistan 2017 respondents**

More than 100 professionals participated in the study, providing the data that inform the four sets of *Doing Business* indicators included. The subnational *Doing Business* website and the acknowledgments section of this report list the names and credentials of those respondents wishing to be acknowledged. Respondents are professionals who routinely administer or advise on the legal and regulatory requirements in the specific areas covered by *Doing Business in Afghanistan 2017*, selected on the basis of their expertise in these areas. Because of the focus on legal and regulatory arrangements, most of the respondents are legal professionals, such as lawyers. Architects, engineers, physical planners, contractors and other professionals answer the questionnaires related to dealing with construction permits. Local government officials, representatives of national agencies and court officials also provided information that is incorporated into the indicators.

The *Doing Business in Afghanistan 2017* approach was to work with legal practitioners and other professionals who regularly undertake the transactions involved. Following the standard methodological approach for time-and-motion studies, *Doing Business* breaks down each process or transaction, such as starting a business or registering a building, into separate steps to ensure a better

estimate of time. The time estimates for each step are provided by practitioners who have significant and routine experience in the transaction.

There are two main reasons that *Doing Business* does not survey firms. The first relates to the frequency with which firms engage in the transactions captured by the indicators, which is generally low. The second reason is that the *Doing Business* questionnaires mostly gather legal information, which firms are unlikely to be fully familiar with. For example, few firms will know about all the many legal procedures involved in resolving a commercial dispute through the courts, even if they have gone through the process themselves. But a litigation lawyer should have little difficulty in providing the requested information on all the processes.

### **Governments and World Bank Group staff**

After analyzing laws and regulations and conducting follow-up interviews with *Doing Business in Afghanistan 2017* respondents, the subnational *Doing Business* team shared preliminary findings of the report with governments and public agencies operating at the national and local levels. Through this process, government authorities had the opportunity to comment on the preliminary data, in meetings with World Bank Group staff as well as in writing. Having public officials discuss and comment on the preliminary results has proven to be an important activity, not only to improve the quality of the report, but also to enhance the dialogue between the local governments and the World Bank Group at the subnational level.

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## **ADDING A GENDER COMPONENT**

The *Doing Business 2017* report presents a gender dimension in four of the indicator sets: starting a business, registering property, enforcing contracts and labor market regulation. The first two of these

indicator sets are included in *Doing Business in Afghanistan 2017*.

*Doing Business* has traditionally assumed that the entrepreneurs or workers discussed in the case studies were men. This was incomplete in not correctly reflecting the *Doing Business* processes as applied to women—which in some economies may be different from those applied to men. The *Doing Business 2017* report began to measure the starting a business process for two case scenarios: one in which all entrepreneurs are men and one in which all entrepreneurs are women. In economies where the processes are more onerous if the entrepreneur is a woman, *Doing Business* now counts the extra procedures applied to the roughly half of the population that is female (for example, obtaining a husband's consent or fulfilling gender-specific requirements for opening a personal bank account when starting a business). Within the registering property indicators, a gender component has been added to the quality of land administration index. This component measures women's ability to use, own and transfer property according to the law. Finally, within the enforcing contracts indicator set, economies are scored on having equal evidentiary weight of women's and men's testimony in court. The labor market regulation indicators have included data on gender components for the past two years. These data include whether nonpregnant and nonnursing women can work the same night hours as men; whether the law mandates equal remuneration for work of equal value; whether the law mandates nondiscrimination based on gender in hiring; whether the law mandates paid or unpaid maternity leave; the minimum length of paid maternity leave; and whether employees on maternity leave receive 100% of wages.



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## NOTES

1. Data from the World Bank Enterprise Surveys and *Doing Business* complement each other as two sides of the same coin. They both provide useful information on the business environment of an economy, but in significantly different ways. The scope of *Doing Business* is narrower than the Enterprise Surveys. However, by focusing on actionable indicators related to business regulation, *Doing Business* provides a clear roadmap for governments to improve. *Doing Business* uses standardized case scenarios while the Enterprise Surveys use representative samples. For more on the Enterprise Surveys and the differences between the Enterprise Surveys and *Doing Business*, see the website at <http://www.enterprisesurveys.org>.
2. These papers are available on the *Doing Business* website at <http://www.doingbusiness.org/methodology>.
3. For getting credit, indicators are weighted proportionally, according to their contribution to the total score, with a weight of 60% assigned to the strength of legal rights index and 40% to the depth of credit information index. In this way each point included in these indexes has the same value independent of the component it belongs to. Indicators for all other topics are assigned equal weights.
4. See Simeon Djankov, Darshini Manraj, Caralee McLiesh and Rita Ramalho, "Doing Business Indicators: Why Aggregate, and How to Do It" (World Bank, Washington, DC, 2005). Principal components and unobserved components methods yield a ranking nearly identical to that from the simple average method because both these methods assign roughly equal weights to the topics, since the pairwise correlations among indicators do not differ much. An alternative to the simple average method is to give different weights to the topics, depending on which are considered of more or less importance in the context of a specific economy.
5. Mary Hallward-Driemeier and Lant Pritchett, "How Business Is Done in the Developing World: Deals versus Rules," *Journal of Economic Perspectives* 29, no. 3 (2015): 121–40.
6. Friedrich Schneider, "The Informal Sector in 145 Countries" (Department of Economics, University Linz, Linz, 2005). See also Rafael La Porta and Andrei Shleifer, "The Unofficial Economy and Economic Development," Tuck School of Business Working Paper 2009-57 (Dartmouth College, Hanover, NH, 2008), available at Social Science Research Network (SSRN), <http://ssrn.com/abstract=1304760>.

# Starting a Business

## MAIN FINDINGS

- Afghanistan has made important strides since 2008 in simplifying the start-up process. Today the country ranks among the top 50 economies worldwide on the ease of starting a business.
- Recent changes aimed at abolishing dual licensing requirements for local businesses have the potential to make the start-up process more efficient across the country—though also more costly.
- Among the five provinces benchmarked, starting a business is easier in Kabul than in the other four. The main reason is that one-stop shops for business registration have not yet spread beyond the capital.
- In these four provinces the lack of a one-stop shop means that starting a business requires twice as many procedures. But the process still takes the same amount of time as in Kabul and less than in Karachi, Pakistan, or in Mumbai, India.



**A**fghanistan has seen a remarkable transformation in the past few years. After more than two decades of war the country has entered a period of economic and political reconstruction. Along with this has come a recognition of the importance of sound laws and institutional frameworks in promoting private sector participation in the reconstruction process.<sup>1</sup> With support from development partners, the government continues to work on implementing regulatory and institutional structures aimed at fostering new business creation and encouraging informal businesses to join the formal economy.

Much has changed for local entrepreneurs. Business registration was moved out of commercial courts, and an electronic central business registry was established in 2008 that facilitated the issuance and renewal of operating licenses for businesses. In late 2016 the Ministry of Commerce and Industries launched further reforms. These reforms

are being implemented as this report goes to press. If they are successful, starting a business could become faster and easier, though also more expensive. Once the changes are implemented, their biggest impact will be felt outside Kabul (box 3.1).

## WHY DOES FORMAL BUSINESS REGISTRATION MATTER?

Formal registration of businesses has many benefits for entrepreneurs and the local economy. It offers legal protections not available in the informal sector. It provides legal recognition of limited liability ventures allowing entrepreneurs to pool their resources, distribute their risks and limit their legal liability only to the extent of capital invested. It also increases access to formal services such as courts and banks. This reduces the potential for harassment and bribery that comes with operating a business in the informal sector.

In economies where the barriers to starting a formal business are low, job creation and productivity tend to be higher—because entrepreneurs can more easily exit obsolete sectors and reallocate scarce capital to productive sectors offering higher employment and returns. An efficient start-up process also frees up resources that would otherwise go to completing costly procedures—helping new businesses to grow faster.

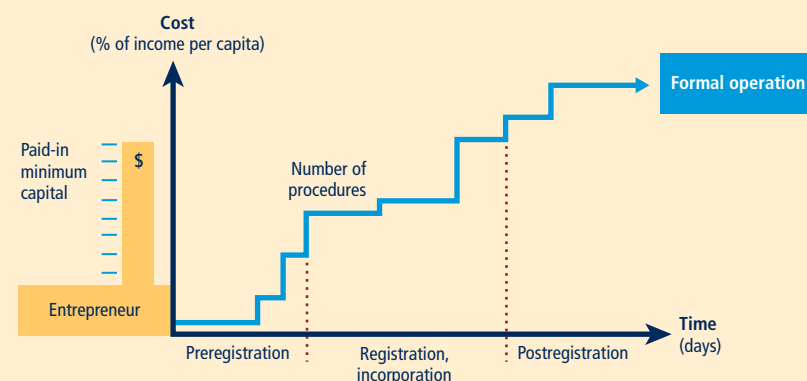
## HOW DOES STARTING A BUSINESS WORK IN AFGHANISTAN?

In all five locations analyzed, entrepreneurs starting a business face few preregistration procedures. Companies can be incorporated through private documents drafted by their shareholders, with no involvement of private lawyers or public notaries. In addition, new investors can rely on standardized forms, deeds and articles of association. Moreover, Afghanistan has no paid-in

## WHAT DOES STARTING A BUSINESS MEASURE?

*Doing Business* measures the number of procedures as well as the time, cost and paid-in minimum capital required for a small to medium-size limited liability company to start up and formally operate (see figure). To make the data comparable across locations, *Doing Business* uses a standardized limited liability company that is 100% domestically owned, has start-up capital equivalent to 10 times income per capita, engages in general industrial or commercial activities and employs between 10 and 50 people within the first month of operations. It considers two case scenarios: one in which the local limited liability company is owned by five married women and another in which it is owned by five married men (for more information, see the data notes).

What are the time, cost, paid-in minimum capital and number of procedures to get a local limited liability company up and running?



Note: Preregistration procedures include verifying or reserving a company name and having necessary documents notarized. Postregistration procedures include registering for social security and obtaining a company seal.

### BOX 3.1 The government is taking an important step forward by abolishing the dual licensing system for businesses

The Afghanistan Investment Support Agency (AISA), created by the government in 2003, has been responsible for issuing and renewing investment licenses, required for all domestic and foreign companies doing business in the country. In parallel, the Ministry of Commerce and Industries (MoCI) has issued trade licenses for those considered to be foreign traders.

On September 28, 2016, however, MoCI announced reforms aimed at streamlining business licensing in Afghanistan by abolishing the dual licensing requirements for domestic businesses. The investment license issued by AISA and the trade license issued by MoCI are being replaced with a single business license administered by the Afghanistan Central Business Registry and Intellectual Property (ACBRIP) general directorate. The new license is to be issued for a period of three years. The changes benefit all local companies, but they particularly benefit those operating outside Kabul, where the trade and investment licenses both had to be renewed yearly under the old system. The cost of the new license is to be a lump sum of AFN 30,000 (US\$503)—significantly higher than the cost of the investment license.

AISA's licensing operations were merged into ACBRIP between October 1 and December 31, 2016, first in Kabul and then progressively in the other provinces.<sup>a</sup> In Kabul, where there is a one-stop shop for business registration, the changes have the potential to reduce the time required to start a business because there are now fewer agencies in the back office. But the impact could be even more significant in the other provinces: if the changes are implemented efficiently, they would allow an entrepreneur to get the license and register the new company in a single visit to the local ACBRIP branch, cutting the number of interactions by three.

a. The data presented in this chapter reflect business start-up processes before the start of this transition.

minimum capital requirement. Because of particular legal provisions applying to only one gender, however, a married woman starting a business faces more hurdles than her male counterpart. For her, the process starts with obtaining her husband's permission to leave the house.

Only then can she proceed to register the company (box 3.2).

The registration stage consists of three steps: obtaining a license, registering the company with the tax authority and paying the corresponding fees. In Kabul

registration takes place at a one-stop shop, where the business and tax registrations were merged into a single step.<sup>2</sup> This reform put Afghanistan (as represented by Kabul) among the top 50 economies worldwide and first in South Asia on the ease of starting a business.

### BOX 3.2 Women in Afghanistan comply with additional requirements for starting a business

In 155 economies around the world, women do not have the same legal rights and supportive environment vital for promoting entrepreneurship that men do. Evidence shows that economies where female entrepreneurs face more gender-related obstacles to engaging in economic activities tend to perform worse on important economic and social indicators. Globally, if all women were excluded from the labor force, income per capita would be reduced by almost 40%. In South Asia gender gaps in entrepreneurship and labor force participation lead to an estimated income loss of 19%.<sup>a</sup>

In 2016 *Doing Business* added gender-related measures to account for gender-related differences in doing business. For starting a business, *Doing Business* now explores whether a woman must obtain permission to leave the house; whether there are gender-specific identification procedures; and whether a married woman must obtain her husband's permission to start a business. Twenty-three economies have laws in place imposing one or more of these additional hurdles on women,<sup>b</sup> and for these economies *Doing Business* now records additional procedures, time or cost. Afghanistan is among this group, with one such hurdle (see figure). In Afghanistan, by law, if a married woman leaves the house without her husband's permission, the husband can withdraw his financial support.<sup>c</sup> Such laws undermine women's bargaining power within the household and can hamper their ability to pursue a business venture.<sup>d</sup>

a. David Cuberes and Marc Teignier, "Aggregate Costs of Gender Gaps in the Labor Market: A Quantitative Estimate," UB Economics Working Paper E14/308 (Universitat de Barcelona, 2014).

b. World Bank, *Doing Business 2017: Equal Opportunity for All* (Washington, DC: World Bank, 2016).

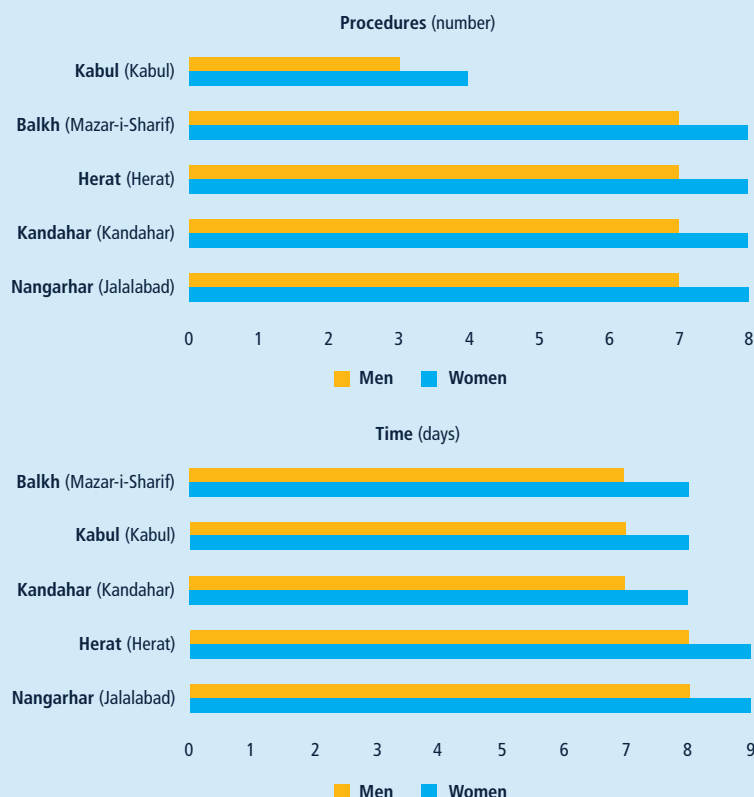
c. 1977 Afghanistan Civil Law, article 122 (1). Available at <http://www.wipo.int/edocs/lexdocs/laws/fa/af/af007fa.pdf>.

d. Even where business regulations as analyzed by *Doing Business* are gender blind, social norms and weak implementation of laws may limit economic opportunities for women.

(continued)

BOX 3.2 Women in Afghanistan comply with additional requirements for starting a business (*continued*)

## Gender-related differences in law add a procedure for women starting a business in Afghanistan



Source: *Doing Business* database.

e. Gender inclusion is among the government's policy priorities as presented at the Brussels Conference on Afghanistan in October 2016. See Islamic Republic of Afghanistan, *Afghanistan National Peace and Development Framework (ANPDF), 2017 to 2021* (Kabul, 2016).

f. Female representation in the Afghan Parliament is growing. At 27.7%, Afghanistan's share of female parliamentarians is the second highest in South Asia after Nepal's. "Women in National Parliaments," Inter-Parliamentary Union, January 1, 2017, <http://www.ipu.org/wmn-e/classif.htm>.

How can governments improve women's access to entrepreneurial and employment activities? Answering that question requires understanding many factors—from access to education and health care, to social and cultural norms, and many things beyond. One important factor is how laws, regulations and institutions differentiate between women and men.

The Afghan government is undertaking important initiatives to enhance gender inclusion. These include programs focusing on women's empowerment. For example, the Women's Economic Empowerment National Priority Program is aimed at removing legal barriers to women's economic participation as well as providing technical and financial support to women-owned businesses.<sup>e</sup> The hope is that the government will combine such initiatives with continual awareness-raising on women's rights as well as encourage greater female participation in legal and political decision making.<sup>f</sup> Also needed is systematic collection of gender-disaggregated data providing useful insights about the types of economic activities that women engage in, the challenges they face and how to address them—data that can support informed decision making on issues affecting women's economic participation.

Because the one-stop shop was implemented only in Kabul, entrepreneurs in Balkh, Herat, Kandahar and Nangarhar have had to continue to visit the local offices of three different agencies, one at a time, to complete all the necessary applications—the Afghanistan Investment Support Agency (AISA), the Afghanistan Central Business Registry and Intellectual Property (ACBRIP) general directorate and the Ministry of Finance. This is why starting a business outside Kabul takes

more than twice as many procedures as in the capital—seven for men and eight for women (table 3.1).

Yet while the one-stop shop in Kabul significantly reduced the number of procedures to start a business, it did not lead to a corresponding drop in the time required. This suggests that the back-office processes were not reengineered to deliver more efficient business registration. Indeed, despite the higher

**A one-stop shop in Kabul has helped reduce the number of procedures for starting a business. But it has not yet spread to other provinces.**

number of procedures required outside Kabul, starting a business takes no more time in Balkh and Kandahar (seven days for men and eight for women) and just one day more in Herat and Nangarhar.

TABLE 3.1 Where is it easy to start a business in Afghanistan—and where not?

Province (City)	Rank	Distance to frontier score (0–100)	Procedures (number)		Time (days)		Cost (% of income per capita)
			Men	Women	Men	Women	
Kabul (Kabul)	1	92.08	3	4	7	8	19.9
Balkh (Mazar-i-Sharif)	2	86.19	7	8	7	8	19.9
Kandahar (Kandahar)	2	86.19	7	8	7	8	19.9
Herat (Herat)	4	85.94	7	8	8	9	19.9
Nangarhar (Jalalabad)	4	85.94	7	8	8	9	19.9

Source: Doing Business database.

Note: Rankings are based on the average distance to frontier score for procedures for men and women, time for men and women, cost and paid-in minimum capital associated with starting a business. (Afghanistan has no paid-in minimum capital requirement.) The distance to frontier score is normalized to range from 0 to 100, with 100 representing the frontier of best practices (the higher the score, the better). For more details, see the chapter “About Doing Business and Doing Business in Afghanistan 2017.”

In all five provinces the process is more efficient than in Karachi, Pakistan, where starting a business takes 12 procedures and 18 days for both men and women, and in Mumbai, India, where it takes 14 procedures and 26 days.

The cost of starting a business in Afghanistan dropped from more than 70% of income per capita in 2005 to less than 20% in 2016 thanks to the introduction of a flat registration fee that applies nationally. Yet the total cost,

**Afghanistan has made progress in improving the efficiency of the business start-up process. Yet the cost remains high by regional comparison.**

combining fees for registration, licensing and publication, remains prohibitively high compared with the cost in other economies—at AFN 7,484 (US\$125), or 19.9% of income per capita (figure 3.1). The lump-sum fee of AFN 30,000 (US\$503) for the new business license introduced in the last quarter of 2016 will substantially increase the overall cost (see box 3.1). However, businesses will be able to operate for three years before having to renew this license.

Despite the government's continuing efforts to reduce regulatory barriers to business entry, the rate at which new formal businesses are established remains low (box 3.3).

FIGURE 3.1 Starting a business in Afghanistan is comparatively efficient but costly



Source: Doing Business database.



### BOX 3.3 Why is formal business start-up low in Afghanistan?

Evidence suggests that an efficient process for starting a business may contribute to a higher number of new business start-ups. Indeed, the figure here shows that the closer an economy is to best practices for starting a business—as reflected in a higher distance to frontier score—the higher the number of new businesses registered relative to the working-age population.

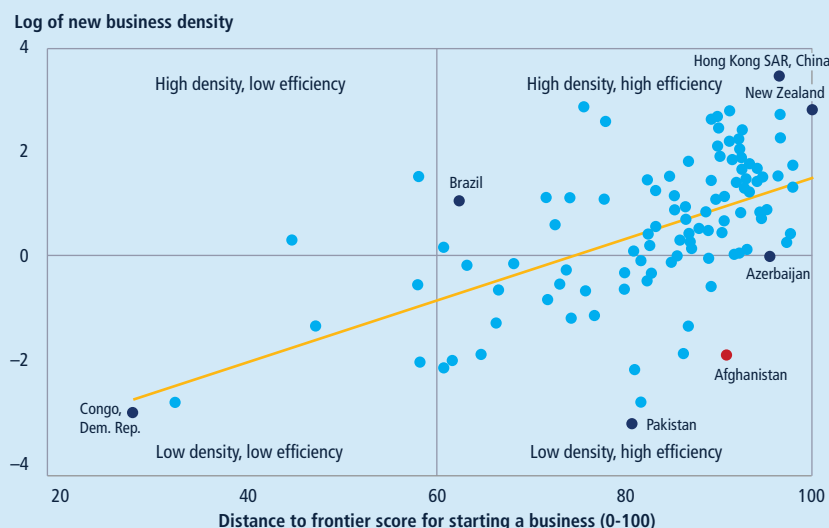
Most economies with a high distance to frontier score for starting a business are clustered in the upper-right-hand quadrant of the figure, showing that they also have high new business density. Afghanistan is the only economy with a distance to frontier score of 90 or above that falls in the lower-right-hand quadrant, showing that it has low new business density.

Indeed, Afghanistan's new business density falls far short of what would be expected given its high distance to frontier score. As measured by this score, its average performance in the ease of starting a business is comparable to that of OECD high-income economies like Germany or Poland. Yet in 2012, the latest year for which comparable data are available, Afghanistan had only 15 newly registered businesses per 100,000 working-age adults. Other economies in South Asia with less efficient start-up processes had far higher numbers, such as Sri Lanka (51) and Nepal (69).<sup>a</sup>

An efficient start-up process is no guarantee of a high density of new businesses. While regulatory entry barriers in Afghanistan are low, entrepreneurs may face other challenges to running a local business. Lack of basic infrastructure such as grid power could be one of them. Only 43% of the Afghan population is connected to the national grid, far lower than the regional average for South Asia of 78%.<sup>b</sup> The country's total energy demand is estimated at around 2,500 megawatts, while its power system is capable of servicing a peak demand of only 750 megawatts.<sup>c</sup> Businesses report 11.5 electricity outages per month on average, with a typical outage lasting 2.6 hours.<sup>d</sup> Many supplement power from the national grid with expensive but dependable alternatives such as private generators.

Conflict and security conditions can also deter entrepreneurs. Decades of conflict and international migration have left a substantial gap in Afghanistan's human capital development. In 2011 only one in three Afghan adults was considered literate.<sup>e</sup> The shortage of skilled labor makes it difficult for new enterprises to find qualified staff. Hiring women can be particularly challenging, because they often need their family's permission to take on certain jobs or even to leave their home. Security risks may discourage new investments because firms must absorb the additional cost of operating in a fragile and politically uncertain environment. In a 2014 survey of manufacturing firms in Afghanistan, 30% reported paying for personal security while 17% reported experiencing losses due to theft and vandalism.<sup>f</sup> These structural challenges may discourage entrepreneurs from starting a business in the first place.

#### An efficient start-up process is associated with a higher density of new businesses



Sources: *Doing Business* database; Entrepreneurship Database, World Bank Group, <http://www.doingbusiness.org/data/exploretopics/entrepreneurship>.

Note: New business density is the number of newly registered businesses per 100,000 working-age adults (ages 15–64). Data for new business density and the distance to frontier score for starting a business are for 2012 and 2014. The figure plots the relationship between these indicators for 109 economies.

a. Entrepreneurship Database, World Bank Group, <http://www.doingbusiness.org/data/exploretopics/entrepreneurship>.

b. World Bank, *World Development Indicators 2011* (Washington, DC: World Bank, 2011).

c. Asian Development Bank, "Energy Supply Improvement Investment Program: Report and Recommendation of the President," November 2015, <https://www.adb.org/projects/documents/afg-energy-supply-improvement-investment-program-rrp>.

d. Enterprise Survey database, World Bank, <http://www.enterprisesurveys.org>.

e. World Bank, *World Development Indicators 2011* (Washington, DC: World Bank, 2011).

f. Enterprise Survey database, World Bank, <http://www.enterprisesurveys.org>.



## WHAT CAN BE IMPROVED?

The Afghan government has made tangible progress in improving the ease of starting a business. Alongside its ongoing initiatives, attention to other issues could add to the gains.

### Streamline the start-up process by eliminating outdated requirements

Business or commercial registries are repositories of the inventory of companies entering and exiting the market. Registration not only gives publicity to the incorporation of new companies but also makes it opposable to third parties. As business registries enhance their technical capabilities and databases, physical publication of a notice of incorporation in an official gazette or newspaper becomes a redundant formality. A wide variety of countries provide free online publication of these notices. In Afghanistan the business registry could consider regularly publicizing the incorporation of new companies, saving entrepreneurs the cost of physical publication. Amending the publication requirements is among the ongoing initiatives to modernize business registration in the country.

### Take stock of the experience with Kabul's one-stop shop to improve efficiency

While setting up the one-stop shop in Kabul, at AISA, streamlined the procedures for starting a business in the capital, it did not reduce the number of days required. Some economies with a well-functioning one-stop shop—such as Armenia, Burundi and Kosovo, all among the top 20 economies on the ease of starting a business—continued reforming their start-up process over time, making it even more efficient. As plans proceed for establishing new one-stop shops within the ACBRIP, the responsible officials could map internal processes to reassess the flow of information between the participating

agencies as well as the need for resources to improve efficiency. This step would be particularly useful if the one-stop shops process a growing number of transactions, which seems likely as the licensing functions of AISA and the Ministry of Commerce and Industries are merged and absorbed (see box 3.1).

### Implement reforms beyond the capital city

The provinces outside Kabul may lack local one-stop shops or an integrated online platform for business registration, but local agencies do have full competence to process registrations and issue documents. For local entrepreneurs, this is more advantageous than the situation in economies such as Kenya and most countries in Central America, where they need to travel to the capital to register their business.

Yet there is room for improvement. Completing registration processes in the provinces outside Kabul still requires multiple interactions and visits to local offices. Fewer resources and different criteria than in the capital may result in additional hurdles for local entrepreneurs.

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**Ongoing improvements in business registration have the potential to bring practices in other provinces into line with those in Kabul, though at a higher cost.**

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While provincial officials could quickly confirm the availability of a company name and the good standing of company owners by e-mailing AISA's headquarters in Kabul, building a unified database or giving local officers access to the central databases could eliminate the need to rely on a timely response from the capital. As the country moves forward with an integrated registration and licensing system, local offices of the business registry could coordinate with

the tax authority to allow the business and tax registrations to be completed under one roof. Implementing a single, unified form that consolidates the information requirements of the two entities could support this step—and save entrepreneurs time by eliminating the need to prepare and then sequentially submit separate letters of presentation to the different agencies.

### Continue simplifying licensing requirements for local businesses

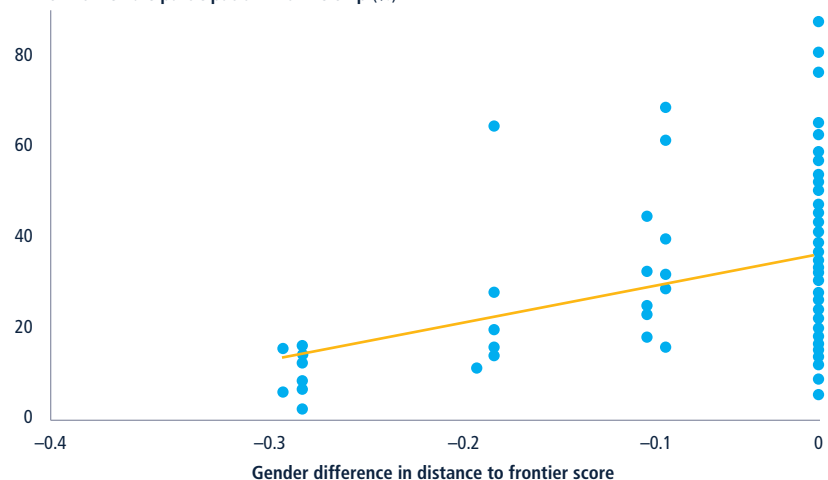
Even after the Afghan government completes the unification of the investment and trade licenses, there may be 20 or more types of industry-related licenses, each with its own list of requirements.<sup>3</sup> A step further would be to review the range of licenses and permits issued by different government agencies to identify those required for nonhazardous business activities, those established for revenue purposes and those that could be replaced with merely a registration. Even licenses or clearances from the municipalities could be replaced with a registration or a notice provided by the business registry if their sole purpose is tax collection.<sup>4</sup>

### Undertake a legal review of gender-based discriminatory laws

Unequal legal status is among the main challenges confronting women around the world.<sup>5</sup> Evidence suggests that in economies where women face greater restrictions, there is less female participation in firm ownership and management responsibilities (figure 3.2). Legal provisions like those requiring women to seek permission from their husband to leave the house, or restricting their ability to travel, undermine women's personal capacity to make decisions on their own and to participate in economic activities. Removing legal and administrative barriers for women would likely help increase female participation in the labor market and in entrepreneurial activities.

FIGURE 3.2 Unequal legal status for women is associated with less female participation in firm ownership

Firms with female participation in ownership (%)



Sources: *Doing Business* database; Enterprise Survey database, World Bank, <http://www.enterprisesurveys.org>.

Note: The gender difference in the distance to frontier score shows, for each economy, the effect on its distance to frontier score due to the addition of gender components in 3 of 10 *Doing Business* indicator sets (starting a business, registering property and enforcing contracts). The relationship between this measure and the percentage of firms with female participation in ownership is significant at the 1% level after controlling for income per capita.

## NOTES

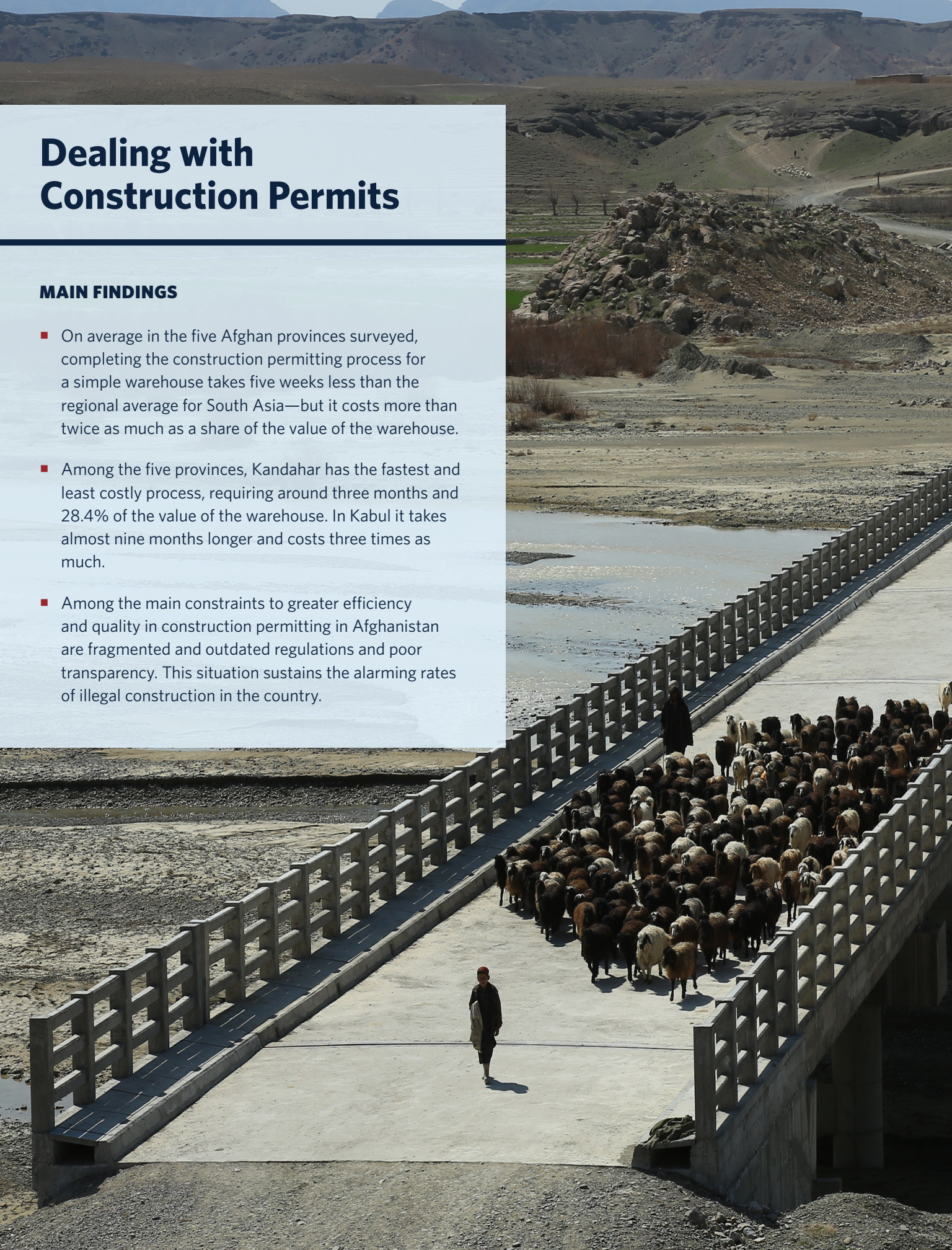
1. U.S. Agency for International Development, "Afghanistan Economic Growth and Private Sector Strengthening (EGPSS) Project," Completion Report by Deloitte Consulting (Washington, DC, 2010), [http://pdf.usaid.gov/pdf\\_docs/Pdacs874.pdf](http://pdf.usaid.gov/pdf_docs/Pdacs874.pdf).
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3. Sayed Zubair Badakhsh, "How to Start a Business in Afghanistan" (Afghanistan Chamber of Commerce and Industries, Kabul, 2010), <http://www.acci.org.af/media/How%20to%20Start%20a%20Business%20in%20Afghanistan.pdf>.
4. Sanjar Ibrahimov and Bobir Taymetov, "To Permit or Not to Permit"—Tools for Reforming Permits and Licensing Systems," IFC SmartLessons series (International Finance Corporation, Washington, DC, 2007).
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# Dealing with Construction Permits

## MAIN FINDINGS

- On average in the five Afghan provinces surveyed, completing the construction permitting process for a simple warehouse takes five weeks less than the regional average for South Asia—but it costs more than twice as much as a share of the value of the warehouse.
- Among the five provinces, Kandahar has the fastest and least costly process, requiring around three months and 28.4% of the value of the warehouse. In Kabul it takes almost nine months longer and costs three times as much.
- Among the main constraints to greater efficiency and quality in construction permitting in Afghanistan are fragmented and outdated regulations and poor transparency. This situation sustains the alarming rates of illegal construction in the country.





Afghanistan has one of the world's most rapid population growth rates. According to World Bank estimates, the population is projected to expand from the current 32 million to nearly 44 million by 2030.<sup>1</sup> The share living in urban centers is expected to almost double by 2050, increasing from 26% to more than 45%. But this process of urbanization remains uncontrolled and unregulated. More than 70% of residential buildings in Kabul are informal constructions built outside the areas approved by the master plan and without proper quality controls. This increases their vulnerability to natural disasters. In 2015, according to United Nations estimates, almost 39,000 houses in Afghanistan were damaged or destroyed by natural disasters, affecting more than 280,000 people.<sup>2</sup>

**Afghanistan lacks a comprehensive building code that sets the standards for construction.**

Sound regulation and robust control mechanisms in the construction sector

help protect the public from unsafe buildings. Well-functioning systems of building permitting and inspection also fulfill a wide range of other public policy objectives—such as long-term land planning, environmental protection, water conservation and energy efficiency, accessibility for persons with disabilities, and preservation of historical assets and national heritage.

These systems can also support investment in the construction sector and thus promote job growth. A recent study from the International Labour Organization estimates that in emerging market economies, an investment of US\$1 million in the construction sector creates more than 150 new jobs.<sup>3</sup> In Afghanistan today the construction sector employs 9.4% of the labor force and contributes around 9% of GDP.<sup>4</sup> Given the country's massive shortage of housing and urban infrastructure, the sector has powerful potential for expansion. In recent years efforts have been made to increase the efficiency and transparency of construction permitting—especially in Kabul, where the municipal regulatory framework has been reviewed and updated and

municipal staff have received training tailored to local needs.<sup>5</sup> Expanding these initiatives and extending them to other Afghan provinces would boost investment in construction and infrastructure.

## HOW DOES CONSTRUCTION PERMITTING WORK IN AFGHANISTAN?

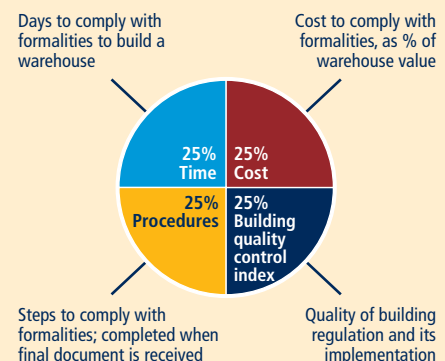
Afghanistan lacks a comprehensive building code that sets the standards for construction.<sup>6</sup> However, several national and local laws affect the construction permitting process. The Municipality Law of 2000 establishes the roles and responsibilities of the parties involved in approving and implementing urban master plans. Other aspects of urban planning are partially regulated by the Expropriation Law (2000), the Regulations on Urban Settlement Projects (1979) and the Regulation on the Implementation of the Master Plan (1990).<sup>7</sup> In addition, municipal decrees dating to the 1970s and 1980s regulate various aspects of urban planning in each city. These result in substantial variation across Afghanistan in the time,

## WHAT DOES DEALING WITH CONSTRUCTION PERMITS MEASURE?

To measure the ease of dealing with construction permits, *Doing Business* records the procedures, time and cost required for a small or medium-size business to obtain the approvals needed to build a simple commercial warehouse and connect it to water and sewerage. This includes all the inspections and certificates needed before, during and after construction of the warehouse. To make the data comparable across 190 economies, it is assumed that the warehouse is in the periurban area of the analyzed business city, that it is not in a special economic or industrial zone, and that it will be used for the general storage of nonhazardous materials, such as books. In addition, in 2015 *Doing Business* introduced the building quality control index, which measures the underlying quality of construction regulations and controls. The index accounts for one-fourth of the distance to frontier score for dealing with construction permits (see figure).

### Dealing with construction permits: measuring the efficiency and quality of building regulation

*Rankings are based on distance to frontier scores for four indicators*



cost and number of procedures required to deal with construction permits.

On average in the five Afghan provinces benchmarked, the construction permitting process takes 17 procedures and 159.4 days and costs the equivalent of 41.9% of the warehouse value—less time than the average for South Asia (196.4 days) but a remarkably higher cost than the regional average (16.7% of the warehouse value) (figure 4.1). All the provinces except Kabul receive a score of 2 (of a possible 15) on the building quality control index, among the lowest scores globally and far lower than the South Asian average of 8.7. Kabul receives a slightly higher score (2.5), reflecting the availability of information on building regulations in the capital city (box 4.1).

Complying with the formalities required to build a warehouse and connect it to

water and sewerage is easier in Kandahar, and more difficult in Kabul (table 4.1). In Kandahar the process takes 14 procedures and 96 days and costs 28.4% of the warehouse value. In Kabul it takes almost nine months longer and is three times as expensive (82.7% of the warehouse value).

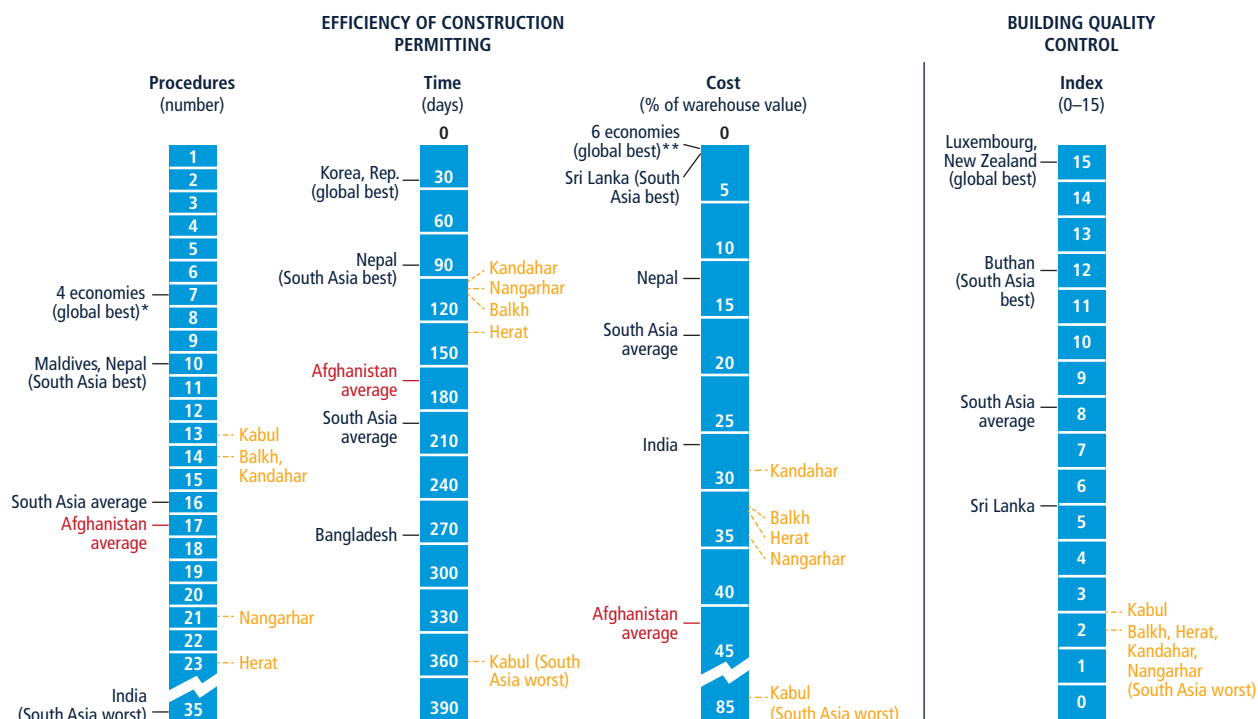
**Depending on the province, five to seven procedures must be completed before construction can even begin.**

Depending on the province, five to seven procedures must be completed before construction can even begin. First the developer submits an application letter for the building permit to the municipality. The municipality reviews the application and checks the land title against its property archives. After that, municipal inspectors

visit the land plot to sketch a simple map of its boundaries, and the map is then checked against the master plan by the municipality's technical section. The head of the municipality then adds his signature to the application package, which at this point consists of the application letter and the sketch of the land plot.

In all provinces except Kabul, the developer needs to submit the application package and the architectural drawings for the new building to the Department of Urban Development, the local branch of the Ministry of Urban Development. The applicant pays the corresponding fee, and the Department of Urban Development reviews the project. The application is then returned once again to the municipality for a final decision on the building permit approval. To obtain the building permit, the applicant needs to also pay a fee to the municipality. In Kabul the

FIGURE 4.1 The cost of dealing with construction permits in Afghanistan is more than twice the South Asian average



Source: *Doing Business* database.

\* These are Denmark, Georgia, the Marshall Islands and Sweden.

\*\* These are Dominica, Mongolia, the Slovak Republic, St. Vincent and the Grenadines, Thailand, and Trinidad and Tobago.

### BOX 4.1 The building quality control index—going beyond efficiency

The building quality control index assesses the quality of construction regulations and controls in six main areas (for a possible 15 points): quality of building regulations (2 points); quality control before (1 point), during (3 points) and after construction (3 points); liability and insurance regimes (2 points); and professional certifications (4 points). Kabul receives a score of 2.5 on the building quality control index, while the other four provinces receive a score of only 2 (see table).

**Afghan provinces receive among the lowest scores globally on the building quality control index**

	Four Afghan provinces <sup>a</sup>	Kabul (Kabul)	Sri Lanka	Oman	India (Delhi)	Kyrgyz Republic	Pakistan (Lahore)	Bhutan	India (Mumbai)	Pakistan (Karachi)
<b>Building quality control index (0–15)</b>	<b>2</b>	<b>2.5</b>	<b>5.5</b>	<b>10.5</b>	<b>11</b>	<b>11</b>	<b>11</b>	<b>12</b>	<b>12</b>	<b>12.5</b>
Quality of building regulations (0–2)	0	0.5	1.5	1.5	2	2	2	2	2	2
Quality control before construction (0–1)	1	1	0	1	1	1	1	1	1	1
Quality control during construction (0–3)	0	0	1	2	2	2	2	2	2	1
Quality control after construction (0–3)	0	0	3	3	3	3	2	3	3	3
Liability and insurance regimes (0–2)	1	1	0	1	0	0	0	0	0	1.5
Professional certifications (0–4)	0	0	0	2	3	3	4	4	4	4

Maximum points obtained

Areas with a difference between Kabul and the other four Afghan provinces

Source: *Doing Business* database.

a. Balkh (Mazar-i-Sharif), Herat (Herat), Kandahar (Kandahar) and Nangarhar (Jalalabad).

important construction projects, these inspections are neither legally mandated nor consistently applied in all cases (0 points).

Final inspections after construction are neither legally mandated nor commonly carried out in practice (0 points). In contrast, final inspections are mandatory in all other South Asian economies except Maldives—and in most economies globally.

Structural defects in a building are often discovered only after it has been occupied. In most economies liability is shared between the contractor and the architect, and in some economies insurance is mandatory. The civil code of Afghanistan specifies the liability requirements for structural defects (1 point). But there is no legal obligation to obtain an insurance policy to cover possible defects (0 points). Among South Asian economies, only Pakistan (Karachi) has both the liability and insurance regimes in place for covering possible structural flaws.

It is important that professionals involved in the permitting process have the necessary technical qualifications. Afghanistan lacks formal regulations specifying the qualification requirements for the technical professionals who review the drawings (0 points) or supervise the construction on site (0 points). All other South Asian economies except Sri Lanka have at least the minimum qualification requirements in place for these professionals. Globally, around 75% of economies require some level of professional certification.

a. Article 35 of the Municipality Law of 2000 specifies that the duties of the agency responsible for implementing the master plan include “monitoring of the construction site according to the master plan.” Article 40 of the same law suggests that supervision of the project by the designer and technical control of the project “should be considered during construction.” These are the only legal provisions at the national level that regulate the quality control processes during construction.

For the quality of building regulations, scoring depends on whether regulations are easily accessible and how clearly the requirements and fees for obtaining a building permit are specified. In Kabul some of the required steps and regulations are available to the public through the Kabul municipality (0.5 points). In the other four provinces no information on construction regulations is publicly available (0 points). Globally, less than 10% of economies receive a score of 0 on this component

For quality control before construction, Afghan municipalities and local branches of the Ministry of Urban Development are staffed with licensed engineers who verify that the building plans are in compliance with the building regulations and actively participate on the committees responsible for approving the plans (1 point).

The legal requirements for inspections during construction are not clearly specified in Afghanistan.<sup>a</sup> While in practice most municipalities inspect

**TABLE 4.1** Where is dealing with construction permits easy in Afghanistan—and where not?

Province (City)	Rank	Distance to frontier score (0–100)	Procedures (number)	Time (days)	Cost (% of warehouse value)	Building quality control index (0–15)
Kandahar (Kandahar)	1	39.29	14	96	28.4	2
Balkh (Mazar-i-Sharif)	2	38.43	14	108	31.8	2
Nangarhar (Jalalabad)	3	31.71	21	104	34.3	2
Herat (Herat)	4	27.62	23	133	32.1	2
Kabul (Kabul)	5	22.39	13	356	82.7	2.5

Source: Doing Business database.

Note: Rankings are based on the average distance to frontier score for the procedures, time and cost associated with dealing with construction permits as well as for the building quality control index. The distance to frontier score is normalized to range from 0 to 100, with 100 representing the frontier of best practices (the higher the score, the better). For more details, see the chapter "About Doing Business and Doing Business in Afghanistan 2017."

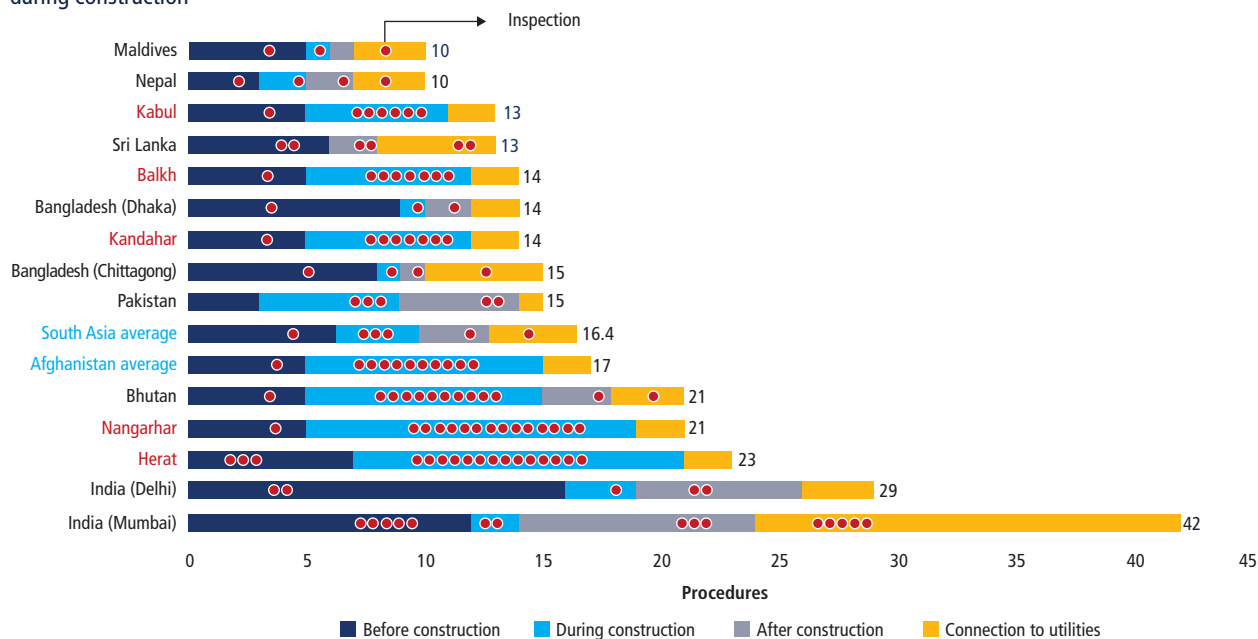
project is reviewed only by the municipality because the Kabul municipality, as part of the central government's organizational structure, has a different status. In the other provinces the Department of Urban Development is the authority through which the central government participates in the permitting process.<sup>8</sup>

In Herat the municipality conducts two additional inspections before construction starts: one to calculate the building permit fee, and one to check the boundaries of the land plot before the beginning of the excavation works. In all other provinces the municipality relies on the information provided

by the sketch of the land plot and the architectural drawings.

During the construction phase several inspections take place. For a seven-month project the number of inspections ranges from 6 in Kabul and 7 in Balkh and Kandahar to 14 in Herat and Nangarhar (figure 4.2). These inspections generally are not conducted at specified stages of construction. Instead, they happen randomly, depending on the availability of inspectors, the volume of construction projects under way and priorities in allocating resources.

In Herat the municipality has increased the frequency and coverage of inspections since 2015 in an effort to enhance the quality of construction supervision. In Jalalabad (the provincial capital of Nangarhar) the municipality typically inspects only about 70% of projects every two weeks. Other municipalities, such as Kandahar and Mazar-i-Sharif (the provincial capital of Balkh), conduct less frequent inspections but inspect more construction projects. In most

**FIGURE 4.2** Up to two-thirds of all procedures for dealing with construction permits in Afghan provinces are random inspections during construction

Source: Doing Business database.



provinces the municipality is the main inspection authority. But in Kandahar the Department of Urban Planning is also involved, and in Kabul the police department is. Once the construction is completed, developers are not required to obtain a formal validation of the quality of construction before occupancy, and no final inspection takes place to verify that the building conforms with the approved plans.

**Inspections during construction generally are not conducted at specified stages. Instead, they happen randomly, depending on the availability of inspectors, the volume of construction projects under way and priorities in allocating resources.**

Dealing with construction permits takes nearly a year in Kabul, where the high level of construction activity and a shortage of municipal staff have led to a chronic backlog of building permit applications. In the other four provinces

it takes 110.3 days on average. Complying with all requirements takes the least time in Kandahar, 96 days—and in Nangarhar (Jalalabad), 104. Among economies in South Asia, only Nepal has a faster process (86 days). In Herat the process takes 133 days because the municipality needs three weeks for the preliminary review of the application; in Nangarhar (Jalalabad) the municipality needs less than one. Lack of inspectors explains the delay in Herat.

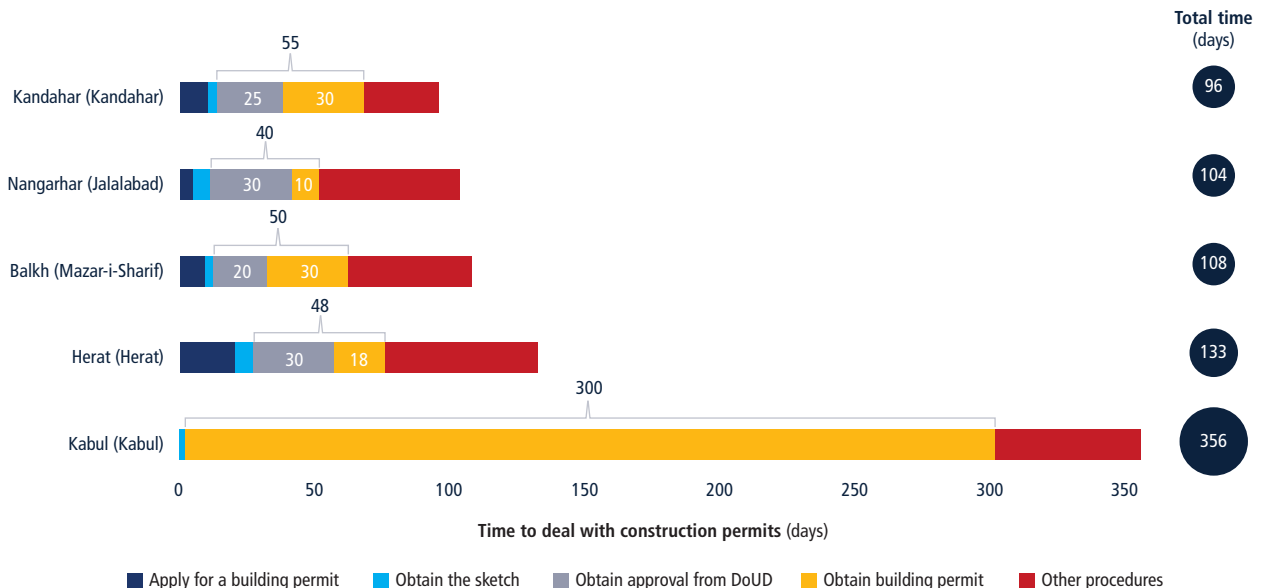
Obtaining all preapprovals—those required before the developer can obtain a building permit—can take nearly half the total time needed to deal with construction permits, as in Herat. In the provincial capitals other than Kabul the most time-consuming procedure before the building permit request is processed is verification of the architectural plans and the technical drawings and calculation of the fee to obtain the preliminary approval from the Department of Urban Development. This takes 20 days in Balkh (Mazar-i-Sharif) and 25 in Kandahar, but 30 days in Herat and

Nangarhar (Jalalabad). The length of the delay depends on the efficiency of the finance department that calculates the fees payable, and on the availability of engineers to review the drawings.

Obtaining the building permit in Kabul takes 300 days. In contrast, it can be done within two months in all the other provinces (figure 4.3). This wide gap is due to differences in the size, growth rates and urbanization patterns of the provincial capitals.<sup>9</sup> While Kabul is a major destination for returning migrants as well as for the rapidly urbanizing rural population, population growth in the other provincial capitals is more moderate. The majority of available land plots in Kabul fall outside the existing master plan, which dates to 1978. The municipality therefore has to make time-consuming, ad hoc revisions of urban planning and zoning rules for new construction projects.<sup>10</sup>

In all provinces the lack of water and sewerage infrastructure greatly increases the time required to complete a new construction. Builders need to dig

FIGURE 4.3 Obtaining a building permit takes far longer in Kabul than in the other Afghan provinces



Source: *Doing Business* database.

Note: Obtaining the building permit involves only one procedure in Kabul, where there is no separate approval from the Department of Urban Development (DoUD), but two procedures in the other locations shown.

a well and build a septic tank, efforts that together take more than a month on average (33.3 days).

The cost of dealing with construction permits ranges from 28.4% of the warehouse value in Kandahar to 82.7% in Kabul. This cost consists of three components: the fee paid to the Department of Urban Development for reviewing the drawings, the fee for obtaining the building permit from the local municipality, and the cost of digging a well and building a septic tank. The Department of Urban Development charges around AFN 15,836 (US\$265) for a two-story warehouse like the one in the *Doing Business* case study; this fee, established by the Ministry of Urban Development's official fee schedule, applies equally to all provinces. In contrast, the building permit fee is determined by each municipality and varies greatly among provinces. In Herat the fee is AFN 21,135 (US\$354), while in Balkh (Mazar-i-Sharif) it is three and a half times as much. In Kabul building planners estimate the total cost for a building permit at AFN 358,084 (US\$6,000).

Construction companies in Afghanistan incur a high cost for drilling a well and building a septic tank; indeed, this cost

represents up to 94% of the total (figure 4.4). In four of the provinces the cost ranges from AFN 480,000 (US\$8,000) to AFN 600,000 (US\$10,000).<sup>11</sup> In Kabul, where labor costs are substantially higher, putting in a well and septic tank requires about AFN 1,200,000 (US\$20,000).

## WHAT CAN BE IMPROVED?

Good practices both within Afghanistan and in other economies around the world point to potential ways to improve construction permitting in the country.

### Modernize, consolidate and clarify the legislative framework

Afghanistan lacks a clear and comprehensive legislative framework for regulating urban planning and construction activities, and existing regulations in this area are outdated and not accessible to the public. This situation sustains the alarming rates of illegal construction in Afghanistan and creates serious public safety risks given the country's high level of seismic activity.

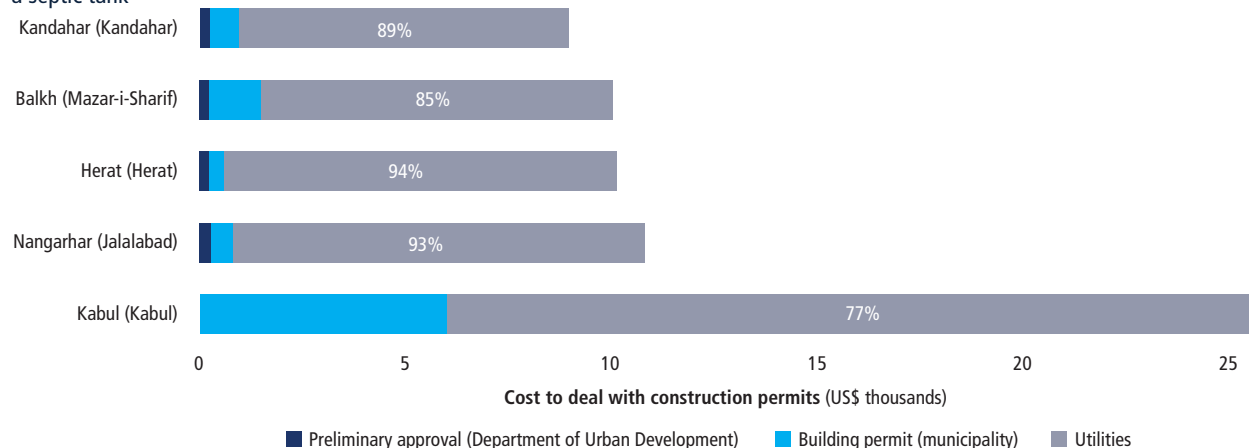
To eliminate legislative gaps and clarify ambiguities, the fragmented regulations on urban planning and construction

**To eliminate legislative gaps and clarify ambiguities, the fragmented regulations on urban planning and construction permitting need to be consolidated into a single, consistent framework that is easy to understand.**

permitting need to be consolidated into a single, consistent framework that is easy to understand. The law needs to delineate the responsibilities of the national and municipal agencies participating in construction permitting and supervision. Municipal decrees on urban planning and construction permitting need to be reconciled with the national regulatory framework and updated to reflect modern technologies in urban planning, construction and land administration. To ensure effective implementation, the drafting of the regulatory framework should be based on wide consultation with the public and private stakeholders involved in the permitting process. Also essential is a clear communication strategy for disseminating the new guidelines.

Afghanistan could look to international good practices. For example, in September 2012 Azerbaijan consolidated

**FIGURE 4.4** Across Afghan provinces, most of the cost of dealing with construction permits comes from digging a well and building a septic tank



Source: *Doing Business* database.

different pieces of construction and urban planning legislation into a single law addressing the entire scope of urban planning and construction permitting—the Urban Planning and Construction Code. Mongolia followed an incremental approach. The government adopted intermediate legislation in 2012 focused mostly on construction permitting (Cabinet Resolution 151) while laying out a longer-term strategy for the subsequent development of a comprehensive building code.

Afghanistan could adopt a multistage reform strategy. It could start with the critical operational aspects—such as consolidating, modernizing and standardizing the construction permitting and supervision regimes—then move on to higher-order reforms aimed at creating a comprehensive urban planning framework. The new regulations could first be made mandatory for public sector construction, supported by large-scale training and dissemination efforts to build a critical mass of expertise among engineers and inspectors. Afterward, the new regulations could be extended to all construction.

### **Increase interagency coordination and streamline redundancies**

In provinces outside Kabul there are overlapping responsibilities for preliminary approvals: the Department of Urban Development is broadly responsible for verifying the compliance of a proposed building with the zoning rules, while the municipality's role is to check compliance with the master plan. The Kabul municipality has integrated both these functions within its structure, so developers have no need to interact separately with the Department of Urban Development to obtain a building permit. Institutionalizing this practice in all other provinces would save time for developers and eliminate the duplication of efforts. Herat is already moving in this direction: plans for complex projects are now reviewed by a joint commission of

the municipality and the Department of Urban Development. The other provinces should follow suit.

### **Make the permitting process more transparent**

Afghanistan has one of the lowest rankings globally on the *Doing Business* measure of the accessibility and transparency of building regulations. Entrepreneurs lack prior knowledge of the necessary fees, documents and administrative steps for obtaining a building permit. Because of the lack of transparency, a high degree of discretion is involved in approving or rejecting building permit applications. This kind of situation—where applicants lack the information needed to hold government bodies accountable—fosters informality and corruption.

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**To improve transparency, guidelines should be published for the entire construction permitting process, along with checklists of required documents and clearly defined fee schedules.**

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To improve transparency, guidelines should be published for the entire construction permitting process, along with checklists of required documents and clearly defined fee schedules. This information could be made publicly available through board notices at the municipalities as well as through printed brochures or official websites.<sup>12</sup> In New Zealand the authorities make this information available online, providing a detailed description of the permitting process as well as a checklist of required documents, fee schedules, professional contacts and appeal options.<sup>13</sup>

The transparency of the approval process for building permits could be increased by publicizing the decisions on applications along with the justification for those decisions. This would allow some public oversight and increase accountability. In Sweden the decisions on building permits are published on municipalities' websites

and in local newspapers along with detailed information about the projects.<sup>14</sup>

Kabul has recently taken notable steps to improve public access to information for building permit applications. It developed process guidelines, checklists and standardized forms and made them available at the municipality and online. It also carried out a broad communication campaign to familiarize industry professionals with the regulation. This initiative can serve as an example of good practice that could be replicated in other Afghan provinces.<sup>15</sup>

### **Adopt simple fee schedules based on objective criteria for issuing building permits**

Fee schedules for the permitting process are not publicly available in Afghanistan, and the assessment of fees leads to administrative backlogs. The municipality's finance department calculates the fee for a building permit based on the municipal fee schedule. The Department of Urban Development's revenue department calculates the fee for reviewing the architectural plans based on the national fee schedule of the Ministry of Urban Development. Together, the two agencies take at least a week to calculate these fees for a project.

A simple, transparent and clearly specified fee schedule could both save time for developers and increase the predictability of their costs. One way to simplify fee schedules is to develop criteria for categorizing buildings by their level of complexity and then apply different fees for each level, consistent with the amounts needed to recover costs. A common good practice is to charge small, fixed fees for simpler projects presenting no risk to public health and safety.<sup>16</sup> Afghanistan could also look to the example of Canada, which has developed user-friendly fee schedules based on the size of the construction and the type of building (residential, commercial, industrial).<sup>17</sup> Some countries, including Georgia and Pakistan, apply a simpler formula based only on the number of square meters of the building.

### Overhaul the system for inspections during construction

In Afghanistan municipal authorities routinely conduct frequent, unannounced inspections during construction, though these are not mandatory under the law. Among economies reforming their inspection systems, there has been a growing policy trend toward conducting inspections at key stages of the construction process. This approach ensures proper supervision of the critical milestones of construction while also regulating the frequency and thoroughness of inspections and enhancing the transparency and consistency of the process. New Zealand, which has the top ranking on the ease of dealing with construction permits in *Doing Business 2017*, mandates a minimum of seven phased inspections during construction for residential buildings.<sup>18</sup>

Afghanistan could adopt mandatory phased inspections as an important initial step toward a more comprehensive framework for quality control during construction. The exact phases and number of inspections could be determined on the basis of local conditions, such as the level of seismic activity and the prevalence of low-rise structures. Construction milestones for inspections generally include at least the completion of the foundation works, the structural frame, the floors and roof, the plumbing works and the electrical works.<sup>19</sup>

### Introduce measures of quality control before a new building can be occupied

In Afghanistan today, new buildings do not undergo a final inspection before occupancy. So buildings with poor-quality construction may be commissioned for use, resulting in serious public safety hazards. This issue could be addressed by introducing mechanisms for final verification of compliance with building regulations. If properly enforced, a requirement that completed structures undergo a technical examination before being approved for occupancy could increase the overall safety and quality of construction.

Properly regulated third-party or in-house inspection mechanisms might provide a balanced approach for imposing such requirements. In the former Yugoslav Republic of Macedonia lower-risk buildings can be commissioned on the basis of a final inspection report prepared by a licensed supervisory engineer, with no involvement of the construction control authorities.<sup>20</sup>

The Kabul municipality recently adopted a regulation on the issuance of occupancy certificates that specifies the rules and requirements for validating a newly constructed building with the municipality.<sup>21</sup> If successfully enforced, this regulation could play a crucial role in improving compliance across all stages of construction, from the verification of project plans through quality control during and after construction. The other provinces should follow suit.

### Introduce stricter standards for the professionals involved in the permitting process

The professionals who review drawings or supervise construction sites need a technical background in architecture or engineering to evaluate whether the construction meets safety standards. Among the 190 economies benchmarked by *Doing Business*, 73 require these professionals to have a university degree in engineering, construction or construction management. In Afghanistan today, however, the building departments of municipalities lack qualified professionals. The country could align itself with international best practice by improving professional standards in the building sector. With the support of central authorities, the municipalities could consider strengthening local capacity by hiring and training qualified engineers to carry out plan reviews and building inspections. Staffing plans could be developed incrementally, consistent with funding and training resources.

## NOTES

1. World Bank Group Data: Population Estimates and Projections, <http://datatopics.worldbank.org/hnp/popestimates>.
2. United Nations Office for the Coordination of Humanitarian Affairs (OCHA), *Afghanistan: Overview of Natural Disasters in 2015* (New York: OCHA, 2016), [https://www.humanitarianresponse.info/en/system/files/documents/files/afg\\_naturaldisasters2015\\_jan\\_dec\\_ocha\\_raf\\_a3\\_201603mar24\\_0.pdf](https://www.humanitarianresponse.info/en/system/files/documents/files/afg_naturaldisasters2015_jan_dec_ocha_raf_a3_201603mar24_0.pdf).
3. Christoph Ernst and Marianela Sarabia, *The Role of Construction as an Employment Provider: A World-Wide Input-Output Analysis*, Employment Working Paper 186 (Geneva: International Labour Organization, 2015).
4. Afghanistan, Ministry of Economy, *Afghanistan: Provincial Briefs* (Kabul: World Bank Group, 2014), <http://www.worldbank.org/en/country/afghanistan/publication/afghanistan-provincial-briefs>; data on breakdown of GDP from National Accounts Main Aggregates, United Nations Statistics Division, <http://unstats.un.org/unsd/snaama/dnllist.asp>.
5. These initiatives were part of the Kabul Municipality Construction Permit Reform Project, developed by the International Finance Corporation (IFC) of the World Bank Group together with the government of Afghanistan and the Kabul municipality in 2013 and 2014. Documents developed by the project and approved by the Kabul Municipality Administration Council include laws and regulations on the legalization of unplanned settlements in accordance with the Kabul city master plan, on construction inspection and monitoring and on the issuance of construction permits based on risk factors. The project also helped streamline the permitting process for residential and high-rise commercial buildings through the introduction of a dedicated one-stop shop and a web-based automated system.
6. In 2014 the Afghanistan Investment Climate Facility Organization (Harakat) drafted a set of national building standards that included an urban development code, an architecture code, a structural code and a highway and bridge code. These standards have been accepted by the Afghan National Standards Authority (ANSA) but are not yet enforced.
7. U.S. Agency for International Development (USAID), *Land Reform in Afghanistan (LARA): Designing a Legal Framework for Urban Planning in Afghanistan—Guidance Report* (Washington, DC: USAID, 2012).
8. For commercial buildings of more than two and a half stories, the provincial Departments of Urban Development do not have the authority to approve the drawings, so the applicant's documents are referred to the Ministry of Urban Development in Kabul for further processing.
9. The estimated population of Afghanistan's five largest provincial capitals as of 2015 is as follows: Kabul (3,564,855); Herat (673,425); Mazar-i-Sharif (582,113); Kandahar (464,265); and Jalalabad (296,895). Government of the

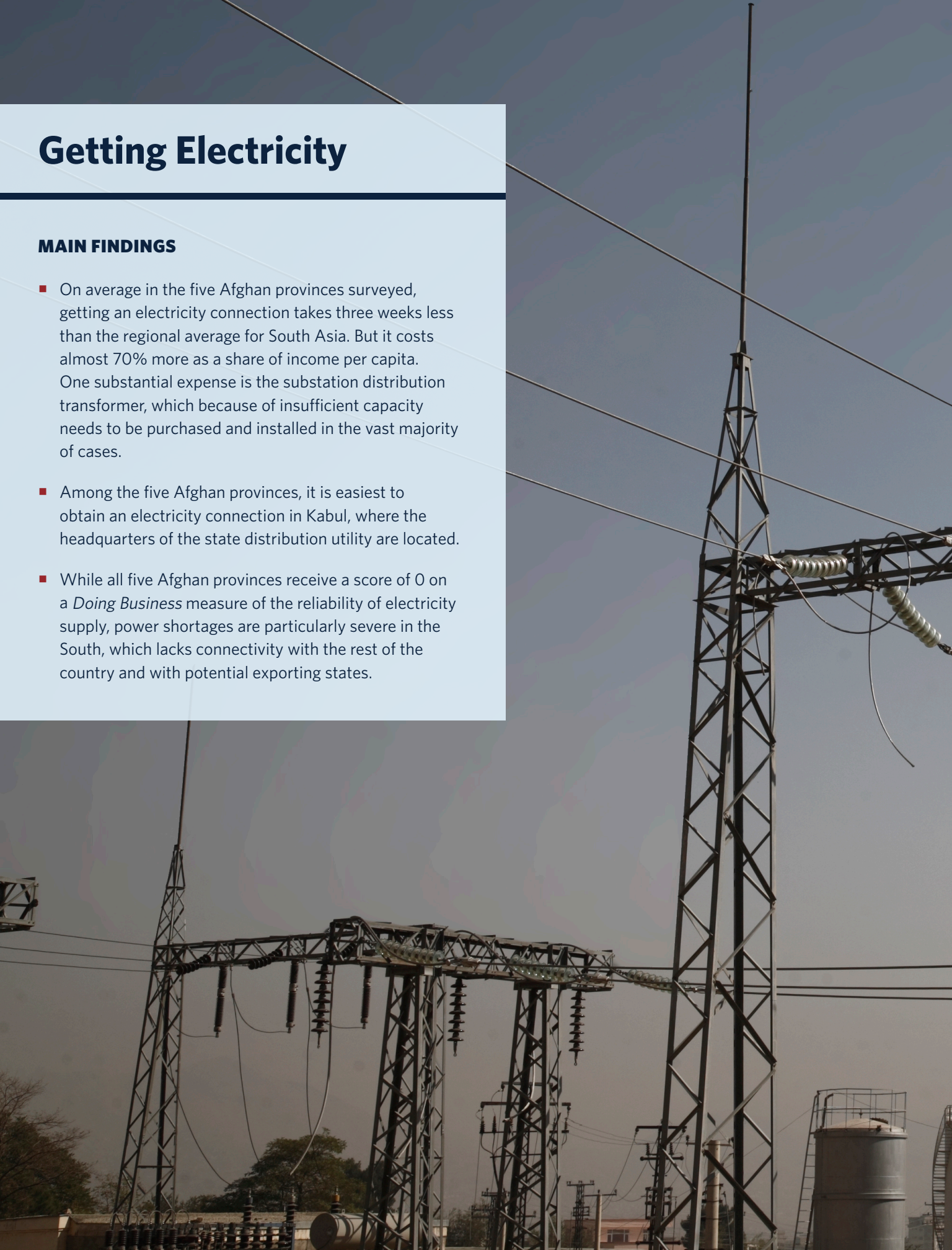
- Islamic Republic of Afghanistan (GoIRA), *The State of Afghan Cities* (Kabul: GoIRA, 2015), <http://unhabitat.org/books/soac2015/>.
10. Japan International Cooperation Agency, "Draft Kabul City Master Plan," consultant report prepared by RECS International and Yachiyo Engineering (Tokyo, 2011), [http://open\\_jicareport.jica.go.jp/pdf/12058566\\_01.pdf](http://open_jicareport.jica.go.jp/pdf/12058566_01.pdf); in-depth interviews with representatives of the Kabul municipality and with external consultants responsible for drafting urban planning reforms for the municipality.
  11. The cost estimates were originally collected in U.S. dollars (US\$8,000-10,000). The estimates were converted at 59.7 Afghani per dollar, and the resulting numbers were rounded.
  12. All five provincial capitals have websites: Herat, <http://herat-m.gov.af/fa>; Jalalabad, <http://jalalabad-m.gov.af/en>; Kabul, <http://km.gov.af/en>; Kandahar, <http://kandahar-m.gov.af/en>; and Mazar-i-Sharif, <http://mazar-m.gov.af/en>.
  13. Auckland Council, "How to Apply for a Building Consent" (Auckland, New Zealand, 2016), <http://www.aucklandcouncil.govt.nz/EN/ratesbuildingproperty/consents/Consent%20documents/ac1802applyingforbuildingconsent.pdf>.
  14. "Guide for Applying for a Building Permit," Swedish National Board of Housing, Building and Planning, accessed September 15, 2016, <http://www.boverket.se/en/start-in-english/about-boverket/easy-to-read/when-you-want-to-build/applying-for-a-building-permit/guide-for-applying-for-a-building-permit/>.
  15. The initiative was carried out as part of the IFC's Kabul Municipality Construction Permit Reform Project, which included a public awareness campaign on the construction permitting process.
  16. Thomas Moullier, *Building Regulation for Resilience: Managing Risks for Safer Cities*, World Bank Report ACS15966 (Washington, DC: World Bank Group, 2015).
  17. "Toronto Building Fee Schedule," City of Toronto, accessed September 15, 2016, <http://www1.toronto.ca/wps/portal/contentonly?vgnextoid=6d3ea41deefc0410VgnVCM10000071d60f89RCRD&vgnextchannel=6c661ba53b450410VgnVCM10000071d60f89RCRD#FAQ3>.
  18. Thomas Moullier, *Building Regulation for Resilience: Managing Risks for Safer Cities*, World Bank Report ACS15966 (Washington, DC: World Bank Group, 2015). Additional inspections might be required depending on the risk category of the building.
  19. World Bank, *Doing Business 2017: Equal Opportunity for All* (Washington, DC: World Bank, 2016).
  20. World Bank, *Doing Business 2017: Equal Opportunity for All* (Washington, DC: World Bank, 2016).
  21. The initiative was carried out as part of the IFC's Kabul Municipality Construction Permit Reform Project.



# Getting Electricity

## MAIN FINDINGS

- On average in the five Afghan provinces surveyed, getting an electricity connection takes three weeks less than the regional average for South Asia. But it costs almost 70% more as a share of income per capita. One substantial expense is the substation distribution transformer, which because of insufficient capacity needs to be purchased and installed in the vast majority of cases.
- Among the five Afghan provinces, it is easiest to obtain an electricity connection in Kabul, where the headquarters of the state distribution utility are located.
- While all five Afghan provinces receive a score of 0 on a *Doing Business* measure of the reliability of electricity supply, power shortages are particularly severe in the South, which lacks connectivity with the rest of the country and with potential exporting states.



About two-thirds of the Afghan population have no access to the electricity grid.<sup>1</sup> Even where grid power is available, the energy supply is unreliable, with customers experiencing frequent and long-lasting outages. Many structures remain without electricity or have to rely on expensive diesel generators. Small firms identify lack of electricity as the third biggest obstacle in the business environment, after political instability and corruption.<sup>2</sup> Shortages are particularly severe in the South. Herat and other provinces in the West, and Kabul and others in the Northeast, benefit from transmission-line connections with neighboring countries—the Islamic Republic of Iran, Turkmenistan, Uzbekistan and Tajikistan. But there are no connections extending to Afghanistan's southern provinces, most of which remain unserved or underserved.<sup>3</sup>

Improving access to electricity is key to boosting an economy weakened by years

of conflict. It is impossible to operate a factory, run a shop, grow crops or deliver goods to consumers without using some form of energy. Self-supply is often prohibitively expensive, especially for small firms.<sup>4</sup> Improving efficiency and quality in the process of obtaining a connection is also important in Afghanistan. Indeed, as represented by Kabul, Afghanistan stands at 159 in the *Doing Business* ranking of 190 economies on the ease of getting electricity.<sup>5</sup>

## HOW DOES GETTING ELECTRICITY WORK IN AFGHANISTAN?

Electricity is provided by Da Afghanistan Breshna Sherkat (DABS), a state-owned distribution utility. DABS was created in 2008 to manage, operate and maintain the national power system. The process of obtaining a new electricity connection for a business is fairly standardized across

### The process of obtaining a new electricity connection for a business is fairly standardized across Afghanistan.

Afghanistan (figure 5.1). This process, as regulated by the 2016 Electrical Energy Services Regulating Law, starts with the customer submitting an application to DABS.<sup>6</sup> The application must include information on the property and on the type of activity requiring power. DABS sends inspectors to visit the site in order to verify the feasibility of the new connection and assess whether the power station has sufficient capacity. In the large majority of cases sufficient capacity is not available, and a new distribution transformer needs to be installed.

Based on the results of the inspection, DABS approves the application and provides the customer with a list of the materials to be purchased, including the

## WHAT DOES GETTING ELECTRICITY MEASURE?

*Doing Business* records all procedures required for a business to obtain a permanent electricity connection and supply for a standardized warehouse. These procedures include applications and contracts with electricity utilities, all necessary inspections and clearances from the distribution utility and other agencies, and the external and final connection works. To make the data comparable across locations, several assumptions about the warehouse and the electricity connection are used. The location of the warehouse is assumed to be within city limits, the subscribed capacity of the connection 140 kilovolt-amperes (kVA), and the length of the connection 150 meters.

*Doing Business* also measures how reliable the supply of energy is and how transparent the consumption tariffs are. Its reliability of supply and transparency of tariffs index encompasses quantitative data on the duration and frequency of power outages as well as qualitative information on several aspects: the mechanisms put in place by the utility for monitoring power outages and restoring power supply, the reporting relationship between the utility and the regulator for power outages, the transparency and accessibility of tariffs and whether the utility faces a financial deterrent aimed at limiting outages. The index accounts for one-fourth of the distance to frontier score for getting electricity (see figure). In addition, *Doing Business* records the price of electricity in each location covered.<sup>a</sup>

a. While *Doing Business* records the price of electricity, it does not include these data when calculating the distance to frontier score or the ranking on the ease of getting electricity.

### Getting electricity: measuring efficiency, reliability and transparency

Rankings are based on distance to frontier scores for four indicators

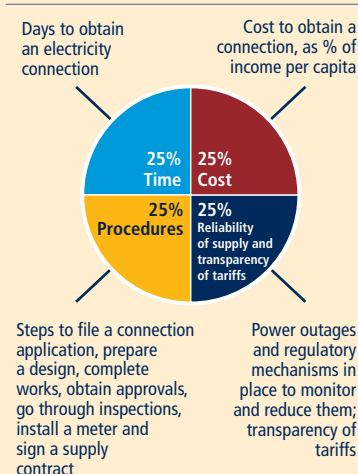


FIGURE 5.1 The main steps to obtain an electricity connection in Afghanistan

PROCEDURE	AGENCY
Submit an application and receive an inspection to verify the feasibility of the connection	Da Afghanistan Breshna Sherkat (DABS)
Receive the approval for the new connection and a list of materials to be purchased	DABS
Purchase the transformer and other materials	Customer's contractor
Obtain clearance of the purchased materials by the utility's inspectors	DABS
Carry out the external works	Customer's contractor or DABS
Purchase and install the meter	Customer's contractor or DABS
Receive the final inspection and start the electricity flow	DABS

Source: Doing Business database.

transformer. Once purchased, the materials are checked and approved by DABS. After they are approved, the customer's contractor can install the transformer. Alternatively, the connection works can be done by DABS. At this point the customer needs to buy and install a meter,

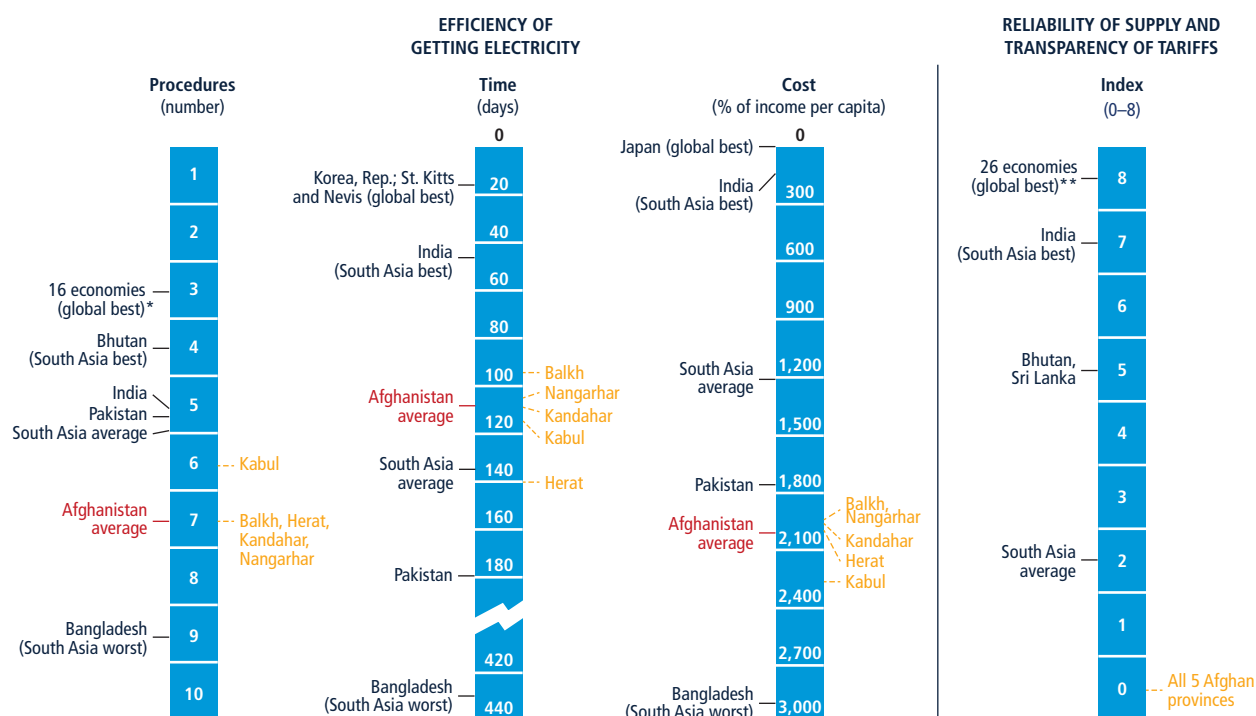
and DABS visits the site to make a final inspection. The meter is locked, and the customer receives written permission to use electricity.

Across the five Afghan provinces surveyed, the process for a business to obtain

a new electricity connection takes 6.8 procedures and 112.2 days on average, and costs 2,028.7% of income per capita. In South Asia on average, the process takes three weeks more but requires fewer procedures (5.7) and costs 40% less as a share of income per capita (1,207.8%).<sup>7</sup> In Bhutan, which has the highest ranking in South Asia on the ease of getting electricity, the process takes 4 procedures and 61 days, and costs 525.4% of income per capita (figure 5.2).<sup>8</sup> All five Afghan provinces receive a score of 0 on the reliability of supply and transparency of tariffs index (box 5.1).

Among the five Afghan provinces surveyed, it is easiest to obtain an electricity connection in Kabul, most difficult in Herat (table 5.1). In Kabul the process takes six procedures, while in the other four provinces it takes seven. The reason for this difference is that requests for

FIGURE 5.2 The connection process in Afghanistan is faster but costlier than the South Asian average



Source: Doing Business database.

\* These are the Comoros; Germany; Hong Kong SAR, China; Kenya; the Republic of Korea; the former Yugoslav Republic of Macedonia; the Federated States of Micronesia; the Russian Federation; San Marino; St. Vincent and the Grenadines; Sweden; Switzerland; Taiwan, China; Timor-Leste; Togo; and the United Arab Emirates.

\*\* These are Belarus; Belgium; Cyprus; the Czech Republic; Estonia; Finland; France; Germany; Hong Kong SAR, China; Ireland; Japan; the Republic of Korea; Lithuania; Malaysia; the Netherlands; Norway; Portugal; the Russian Federation; the Slovak Republic; Slovenia; Spain; Sweden; Taiwan, China; the United Arab Emirates; the United Kingdom; and Uzbekistan.



**TABLE 5.1** Where is it easy to get an electricity connection in Afghanistan—and where not?

Province (City)	Rank	Distance to frontier score (0–100)	Procedures (number)	Time (days)	Cost (% of income per capita)	Reliability of supply and transparency of tariffs index (0–8)
Kabul (Kabul)	1	45.04	6	114	2,274.7	0
Balkh (Mazar-i-Sharif)	2	44.03	7	94	1,957.3	0
Nangarhar (Jalalabad)	3	42.94	7	104	1,957.3	0
Kandahar (Kandahar)	4	42.36	7	109	1,970.6	0
Herat (Herat)	5	38.95	7	140	1,983.9	0

Source: *Doing Business* database.

Note: Rankings are based on the average distance to frontier score for procedures, time and cost associated with getting electricity as well as for the reliability of supply and transparency of tariffs index. The distance to frontier score is normalized to range from 0 to 100, with 100 representing the frontier of best practices (the higher the score, the better). For more details, see the chapter “About *Doing Business* and *Doing Business in Afghanistan 2017*.”

**Obtaining an electricity connection takes six procedures in Kabul but seven in the other four provinces—because requests for new connections from anywhere in the country must be approved by the state distribution utility's headquarters in the city of Kabul.**

new connections from anywhere in the country must be approved by the central headquarters of DABS in the city of Kabul. The utility's local provincial offices are responsible for performing the site inspection and preparing the technical details on the basis of which its headquarters in Kabul grants the approval.

How the technical details are submitted to DABS headquarters in Kabul varies from province to province. In Balkh and Nangarhar the request for a new connection is usually submitted to the local DABS office, which then forwards it to Kabul. In Kandahar investors typically mail their request for a new connection to Kabul, then travel to Kabul to collect the approval and discuss the conditions in person. In Herat most applicants travel to the capital both to submit the application and to collect the approval. New connections have been severely restricted in Herat since 2012 because of a shortage of capacity, so most applicants prefer to meet in person with the

approving office of DABS to discuss their project.

Obtaining a new connection takes the least time in Balkh: 94 days. The same process takes the most time in Herat: a month and a half more, at 140 days—exceeding the South Asian average of 136.4 days. Indeed, across South Asia, the process takes longer only in Pakistan (180.7 days) and in Bangladesh (428.9 days).

The five Afghan provinces also vary in the amount of time required for different steps in the process. Delivery of the site inspection following the request for a new connection takes the least time in Balkh and Nangarhar: only 10 days. In Kandahar it takes two weeks, in Kabul three weeks and in Herat one month. The long wait time in Herat is due to the limited amount of power available, which leads to additional scrutiny of requests for a new connection. For Kabul, with the second longest wait time for site inspections, the reason is linked to the rapid population growth in the capital city;<sup>9</sup> the fast growth means a large number of requests for new connections.

**Entrepreneurs in Herat have to wait six more weeks than those in Balkh for a new connection. Excess demand, limited power and lack of resources are all factors in the large variation in time among provinces.**

### BOX 5.1 The reliability of supply and transparency of tariffs index—going beyond efficiency

Introduced by *Doing Business* in 2015, the reliability of supply and transparency of tariffs index measures the quality of service provided by utilities as it relates to stability in distribution and clarity of information provided on consumption costs. The scoring is based on six main components, for a possible 8 points: reliability of supply (3 points), mechanisms for monitoring outages (1 point), mechanisms for restoring service (1 point), regulatory monitoring (1 point), financial deterrents aimed at limiting outages (1 point) and transparency of consumption tariffs (1 point).

*Doing Business* uses the system average interruption duration index (SAIDI) and the system average interruption frequency index (SAIFI) to measure the duration and frequency of power outages. SAIDI is the average total duration of outages over the course of a year per customer served, while SAIFI is the average number of service interruptions experienced by a customer in a year. An economy is eligible to obtain a score on the reliability of supply and transparency of tariffs index if the utility collects SAIDI and SAIFI data and if the SAIDI value is below a threshold of 100 hours and the SAIFI value below a threshold of 100 outages. An economy receives a score of 0 on the overall index if it does not compute SAIDI and SAIFI, even if the economy scores points on any other component. Afghan provinces do not record SAIDI and SAIFI and so receive a score of 0 on the overall index (see table).

(continued)

**BOX 5.1 The reliability of supply and transparency of tariffs index—going beyond efficiency (continued)**

For monitoring outages, 1 point is assigned if the utility uses automated tools such as the supervisory control and data acquisition (SCADA) system. Similarly, for restoring service 1 point is again assigned for the use of automated tools. The provinces of Herat, Kandahar and Nangarhar do not use automated tools, while Balkh and Kabul use SCADA, though only at the level of transmission, not distribution.<sup>a</sup>

For regulatory monitoring, the scoring depends on whether an economy has an independent regulator that monitors power outages and requires the utility to report on reliability of supply. Afghanistan's Electrical Energy Services Regulating Law assigns the role of regulator to the Ministry of Electricity and Water. But this ministry owns 35% of DABS and therefore does not qualify as independent.

*Doing Business* assigns 1 point if the utility compensates customers when outages exceed a certain cap or if the utility is fined by the regulator when this happens. Afghan regulation does not require such measures.

Finally, 1 point is assigned if electricity tariffs are available online and customers are notified of a change in tariff a full billing cycle (one month) ahead of time. All DABS offices notify customers of tariff changes ahead of time, but none of the five provinces have the tariffs available online, so all receive a score of 0 on this component.

These results pinpoint possible areas of improvement in Afghanistan. For lessons of experience, it could look to the example of neighboring countries with high scores on the reliability of supply and transparency of tariffs index—such as Uzbekistan (8) or India (7)—or to other developing economies that have put in place reliable and transparent systems, such as Guatemala or Indonesia.

**All Afghan provinces receive a score of 0 on the reliability of supply and transparency of tariffs index**

	Uzbekistan (Tashkent)	Guatemala (Guatemala City)	India (Mumbai, Delhi)	Indonesia (Jakarta)	Balkh and Kabul	Herat, Kandahar, Nangarhar
Reliability of supply and transparency of tariffs index (0–8)	<b>8</b>	<b>7</b>	<b>7</b>	<b>6</b>	<b>0</b>	<b>0</b>
Total duration and frequency of outages per customer a year (0–3)	3	2	2	2	0	0
System average interruption duration index (SAIDI)	0.33	3.68	1.72	2.61	—	—
System average interruption frequency index (SAIFI)	0.1	2.62	3.26	1.72	—	—
Mechanisms for monitoring outages (0–1)	1	1	1	1	1	0
Does the distribution utility use automated tools to monitor outages?	Yes	Yes	Yes	Yes	Yes	No
Mechanisms for restoring service (0–1)	1	1	1	1	1	0
Does the distribution utility use automated tools to restore service?	Yes	Yes	Yes	Yes	Yes	No
Regulatory monitoring (0–1)	1	1	1	1	0	0
Does a regulator—that is, an entity separate from the utility—monitor the utility's performance on reliability of supply?	Yes	Yes	Yes	Yes	No	No
Financial deterrents aimed at limiting outages (0–1)	1	1	1	1	0	0
Does the utility either pay compensation to customers or face fines by the regulator (or both) if outages exceed a certain cap?	Yes	Yes	Yes	Yes	No	No
Communication of tariffs and tariff changes (0–1)	1	1	1	0	0	0
Are effective tariffs available online?	Yes	Yes	Yes	Yes	No	No
Are customers notified of a change in tariff ahead of the billing cycle?	Yes	Yes	Yes	No	Yes	Yes

Source: *Doing Business* database.

Note: If SAIDI and SAIFI are 12 (equivalent to an outage of one hour each month) or below, a score of 1 is assigned. If SAIDI and SAIFI are 4 (equivalent to an outage of one hour each quarter) or below, 1 additional point is assigned. Finally, if SAIDI and SAIFI are 1 (equivalent to an outage of one hour per year) or below, 1 more point is assigned. In Balkh and Kabul the automated tools for monitoring and restoring service are used only at the level of transmission, not distribution.

— = not available.

a. While data on outages are recorded at every substation in Afghanistan, these data are not publicly available. Anecdotal evidence suggests that in Herat, for example, there are at least two outages a day, totaling 3.0–4.5 hours. In Nangarhar the power is off at least 4 hours a day. The situation is even more critical in Kandahar, where electricity is available only 4 hours a day on average. Where electricity supply is unreliable, firms have to invest in costly back-up solutions. Many rely on diesel generators, incurring high capital costs as well as high costs for electricity (averaging around 25–30 US\$ cents per kilowatt-hour). Beyond these costs, firms using diesel generators must invest in fuel storage facilities, fuel procurement arrangements and protection against fuel theft.



Herat is also the province with the longest wait for approval of a new connection, because of a shortage of inspectors to prepare the technical details needed to review the request. While obtaining this approval takes two weeks in the other four provinces, in Herat it requires one month, and the customer needs to travel again to Kabul to collect the approval.

Customers can choose to have either a private contractor or DABS perform the connection works. The two options have the same cost, but DABS technicians can save some time because of their knowledge of the grid, the access points and the previously prepared technical details.<sup>10</sup> In Balkh, where the connection works are typically carried out by DABS, this procedure takes 50 days. But in the other four provinces, relying on DABS would mean a delay in the start of the works because of lack of resources (as in Herat) or excess demand (as in Kabul), so investors prefer to hire a private contractor, and the procedure takes two months.

The rest of the process follows the same time frame in all provinces. It takes two weeks to get approval of the transformer and the other purchased materials. Two weeks are also required to obtain the meter—whether from DABS (as in Balkh, Kabul, Kandahar and Nangarhar) or on the private market (as in Herat, where DABS does not have meters available)—as well as permission to install it. Finally, it takes five days to install the meter, verify the new connection and start the electricity flow.

The cost to get an electricity connection in Afghanistan has three components: the connection fees to be paid to DABS; the material and labor costs to build the connection; and the cost of the meter. The connection fees are established and collected by DABS at its central headquarters and apply equally to all provinces. These fees depend on the power demand, on the voltage and on the type of connection (residential or nonresidential). For the *Doing Business*

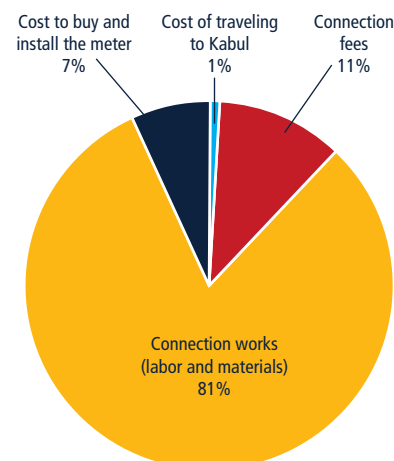
case study the fee is AFN 84,000 (AFN 600 per kilovolt-ampere), equivalent to US\$1,407, plus an application fee of AFN 100 (US\$2). In addition, entrepreneurs in Herat have to bear the cost of at least two round trips to the city of Kabul, one to submit the application and one to collect the approval. Similarly, applicants in Kandahar have to travel to the capital at least once, to obtain the approval.<sup>11</sup> Applicants in Balkh and Nangarhar, benefiting from smoother communication between the local provincial offices of DABS and its headquarters, typically do not need to travel to the capital.

**Because of insufficient capacity, a substation distribution transformer needs to be purchased and installed in the vast majority of cases. This accounts for a substantial share of the cost of obtaining an electricity connection in Afghanistan.**

The connection fees do not cover the labor and materials to build the connection. These are the most substantial expenses, accounting for 81% of the total cost (figure 5.3). In Kabul an amount of AFN 716,169 (US\$12,000) is needed to purchase the transformer and all the necessary materials, including the switchboard, the dry switches, fuses, lightning arresters, steel cables and pillars for overhead connections.<sup>12</sup> Outside Kabul the cost is slightly lower, at AFN 596,807 (US\$10,000), mainly because of lower labor costs. Finally, in all provinces the customer purchases a meter and related materials and pays for installation of the meter—costs adding up to another AFN 55,000 (US\$922).<sup>13</sup>

Overall, the cost to obtain a connection ranges from 1,957.3% of income per capita in Balkh and Nangarhar to 2,274.7% of income per capita in Kabul. In South Asia, only Bangladesh has a higher cost (2,860.9% of income per capita). The cost is lower in such neighboring countries as Tajikistan (742.5% of income per

**FIGURE 5.3** Connection works make up more than 80% of the total average cost of getting electricity in Afghanistan



Source: *Doing Business* database.

capita) and the Islamic Republic of Iran (828.6%). The higher cost in Afghanistan is due mainly to the need to import the transformers and related materials for the connection from abroad—typically from the Islamic Republic of Iran, Turkey or China.

**A fragmented supply system leads to variations in consumption tariffs. They are lower in provinces with a balance of self-generated and imported power, such as Kabul—and highest in Balkh, which imports all its electricity, and in Kandahar, which has to rely entirely on self-generated energy.**

In addition to the up-front cost paid by a small or medium-size business to get a connection, the monthly consumption fees also need to be analyzed. The structure of the Afghan supply system, which is composed of different isolated networks, leads to variations in consumption tariffs across provinces (box 5.2). Local DABS offices establish their tariffs in coordination with DABS headquarters, and there is no standard price for all locations. For a commercial warehouse like the one in the *Doing Business* case study,

### BOX 5.2 Structure of the Afghan supply system

The Afghan electricity distribution system is formed by more than 10 isolated networks of different sizes and technical layouts. Each of the networks is supplied by separate power systems, with distinct synchronizations and voltages. These differences and the physical distance between the networks inhibit interconnections among grids, limit country-wide distribution and make the load dispatching inflexible. According to conservative estimates, national demand was around 1,500 megawatts in 2015 while the system is capable of serving a peak demand of only 750 megawatts. An estimated 24% of electricity is lost in transmission and distribution.<sup>a</sup>

Nearly 80% of all grid consumption is imported while domestic power generation capacities remain stagnant. As a result, tariffs are influenced by changes in energy prices in the exporting economies. The provinces of Balkh, Kabul and Nangarhar import power from Tajikistan and Uzbekistan. Herat imports from Turkmenistan and the Islamic Republic of Iran. Balkh, which imports 100% of its electricity, has consumption tariffs driven by price fluctuations in the exporting countries. Kandahar imports no electricity because its grid is not connected to potential exporting countries, and has to rely entirely on self-generated energy.

Of the national domestic power generation, 50% is hydropower while the rest is based on fossil fuel (mainly diesel), which is more expensive. Kandahar has the highest ratio of diesel power. Provinces with a balance of self-generated and imported power, such as Kabul, have more room for strategic adjustment of their tariff policies.

a. Asian Development Bank, "Energy Supply Improvement Investment Program: Report and Recommendation of the President," November 2015, <https://www.adb.org/projects/documents/afg-energy-supply-improvement-investment-program-rrp>.

firms in the provinces of Herat, Kabul, Kandahar and Nangarhar pay AFN 10 per kilowatt-hour.<sup>14</sup> This leads to a monthly consumption cost (including administrative costs) of 715% of income per capita. Balkh has the highest consumption cost (AFN 13.5 per kilowatt-hour, or 965.2% of income per capita per month).<sup>15</sup>

## WHAT CAN BE IMPROVED?

This chapter's review of the process of getting a new electricity connection in Afghanistan points to several areas of possible improvement.

### Reduce the up-front cost of obtaining a new connection

The type of connection works varies depending on network capacity. If capacity is constrained, as is frequently the case across Afghanistan, more complicated connection works may be necessary. The resulting capital investments are covered by the new customer. This obligation substantially raises the total connection cost. Covering the cost for a new transformer represents a financial obstacle for most small and medium-size enterprises. The distribution utility could contribute to the initial capital investment, as is done in

Thailand. This initial investment could be recovered through transparent consumption tariffs charged to all customers that connect to the new transformer.

### Improve coordination between DABS headquarters and provincial offices

Today all applications for new connections are managed by DABS headquarters in Kabul. This imposes an additional burden on entrepreneurs in other provinces, who often need to travel to the capital to submit their application, discuss their project and collect the approval. However, this trip is not necessary for applicants in Balkh and Nangarhar, thanks to the smoother communication between the utility's local offices in these provinces and its headquarters. Other provinces should follow suit: investors in Herat and Kandahar should also be able to obtain an electricity connection without traveling to Kabul.

**Allowing all applicants to obtain project authorization directly from the provincial offices would speed up the process outside the capital—and would also benefit Kabul.**

In the long run, all applicants should be allowed to obtain project authorization directly from the provincial offices. This would speed up the process outside the capital. It would also benefit Kabul, by allowing DABS headquarters to direct more of its resources to dealing with connection requests in the capital.

### Improve the transparency of connection requirements and consumption tariffs

Utilities should clearly explain to customers exactly what is required to obtain a new electricity connection in terms of procedures, time and cost. They should post easily accessible information about the application process in their customer service offices and on municipal websites. Connection costs should also be transparent and easily accessible.

Also important is ensuring that consumption tariffs—and any changes to these tariffs—are transparently communicated to customers. People and businesses need this information so that they can plan their expenses, better understand the utility billing system and contest the charges when needed. The private sector takes into account the cost of electricity when making investment decisions,

including on energy efficiency measures aimed at curbing costs in business operations. Tariffs and tariff changes can be communicated to consumers online, through printed media (such as brochures in the utility's office) or through public hearings.

### Improve the reliability of electricity supply

To improve the reliability of its network, Afghanistan could look to the example of Indonesia. That country has achieved a high rate of electrification, increasing the share of its population with access to electricity from 67% in 1990 to 96% in 2012.<sup>16</sup> Moreover, SAIFI data suggest that a typical business in Jakarta suffered only two outages in 2015. In the 1990s all generation, transmission and distribution in Indonesia were handled by the state-owned utility, Perusahaan Listrik Negara (PLN). But in 1999 the electricity generation market was opened to the private sector. That led to the entrance of new actors and to substantial growth in installed generation capacity. By the end of 2014 independent power producers and private utilities accounted for about 30% of Indonesia's installed generation capacity. In parallel with the partial liberalization of the sector, the Indonesian government also implemented ambitious infrastructure investment plans to meet rising electricity demand.<sup>17</sup>

Afghanistan's 2016 Electrical Energy Services Regulating Law moves in the direction of restructuring the power sector by allowing a private sector presence in generation. Implementation needs to be managed carefully. While liberalization brought positive outcomes in Indonesia, it has not always done so elsewhere. In Pakistan, for example, utilities' financial stability, and therefore the reliability of supply, were compromised by the lack of an overarching regulatory framework guaranteeing tariffs at a cost-recovery level and by the high volume of commercial losses stemming from nonpayment (due to electricity theft, unregistered consumption or improper

metering).<sup>18</sup> According to *Doing Business* data, Pakistan's two largest cities (Karachi and Lahore) were among those experiencing the most outages globally in 2015.

### Introduce independent regulatory oversight to monitor utility reliability

Energy regulators typically supervise electricity prices and ensure consumer protection. In addition, to ensure the reliability of supply, a regulator may set performance objectives for utilities as well as impose financial deterrents aimed at reducing the frequency and duration of outages. In Bolivia, for example, customers receive discounts on their bills if the quality of supply fails to meet the standards set by the regulator. In Turkey the regulator may fine the utility if outages occur without prior notification to affected customers. *Doing Business* data suggest that financial deterrents to limit outages matter: among low- and lower-middle-income economies, those using financial deterrents had 53 power cuts on average in 2015, while those not using them had three times as many.

A regulator can also help standardize the electric equipment and interfaces used for connections. In Afghanistan today, these are approved at the discretion of local DABS offices. Another important regulatory function in Afghanistan would be to enforce technical standards, to ensure that new installations are suitable for future interconnections with the national grid.

The Electrical Energy Services Regulating Law establishes an electricity regulatory department within the Ministry of Energy and Water. But this measure goes only partway. Because the ministry is one of the shareholders of DABS, the newly established regulator is not independent. The next step should be to move the regulator to an autonomous authority.

## NOTES

1. In 2013/14 the share of the population with access to electricity from the grid was 30%, according to data from Afghanistan's National Risk and Vulnerability Assessment. While the access rate is around 89% in major Afghan cities, it is only 11% in rural areas. Several of the mountainous provinces have no organized electricity supply at all.
2. According to 2014 data from the Enterprise Survey database, World Bank, <http://www.enterprisesurveys.org/>. Small firms are defined as businesses with 1–19 employees.
3. The North East Power System (NEPS), the largest network in the country, serves an area extending from the northern provinces of Balkh and Kunduz as far south as Kabul. The South Electrical Power System (SEPS) serves Helmand and Kandahar Provinces.
4. Atsushi Iimi, "Effects of Improving Infrastructure Quality on Business Costs: Evidence from Firm-Level Data," Policy Research Working Paper 4581 (World Bank, Washington, DC, 2008).
5. World Bank, *Doing Business 2017: Equal Opportunity for All* (Washington, DC: World Bank, 2016).
6. Legislative Decree of the President of the Islamic Republic of Afghanistan about Endorsement of the Regulating Law of Electrical Energy Services, no. 67, August 30, 2015. The Electrical Energy Services Regulating Law was approved by Parliament in January 2016.
7. The South Asian region as covered by *Doing Business* comprises Afghanistan (Kabul), Bangladesh (Dhaka and Chittagong), Bhutan (Thimphu), India (Mumbai and Delhi), Maldives (Malé), Nepal (Kathmandu), Pakistan (Karachi and Lahore) and Sri Lanka (Colombo).
8. Bhutan stands at 54 in the *Doing Business* global ranking of 190 economies on the ease of getting electricity.
9. World Bank Group Data: Population Estimates and Projections, <http://datatopics.worldbank.org/hnp/poestimates>.
10. When the connection works are performed by DABS, the customer pays 10% of the total amount spent to purchase the materials for the connection to the utility.
11. For purposes of the ranking, each round trip to the capital from Herat or Kandahar is estimated to cost AFN 5,000 (US\$84).
12. The large majority of electricity connections across Afghanistan are overhead connections.
13. The customer also pays an amount corresponding to 1% of the connection fee in order to start the flow.
14. *Doing Business* calculates the consumption fees based on the following assumptions: the warehouse operates 30 days a month from 9:00 a.m. to 5:00 p.m. (eight hours a day), with equipment utilized at 80% of capacity on average. For simplicity, it is assumed that there are no electricity cuts. The monthly energy consumption is 26,880 kilowatt-hours (kWh). Hourly consumption is 112 kWh. If multiple

electricity suppliers exist, the warehouse is served by the cheapest supplier. Tariffs effective in March of the current year are used for calculation of the price of electricity for the warehouse. Although March has 31 days, for calculation purposes only 30 days are used.

15. Consumption tariffs are as of March 2016. In all provinces, registered industrial firms benefit from lower consumption fees (AFN 6 per kilowatt-hour).
16. Sustainable Energy for All (SE4ALL) database, World Bank, <http://data.worldbank.org/data-catalog/sustainable-energy-for-all>.
17. Jean Arlet, Diane Davoine, Tigran Parvanyan, Jayashree Srinivasan and Erick Tjong, "Getting Electricity: Factors Affecting the Reliability of Electricity Supply," in World Bank, *Doing Business 2017: Equal Opportunity for All* (World Bank: Washington, DC, 2016).
18. Privatization in Pakistan's electricity sector began in 1994. Private power producers now provide about 30% of generation capacity. The distribution sector is operated by 10 state-owned regional utilities and a private company, K-Electric, which serves Karachi. Almost all the utilities face the same set of challenges: shortfalls in electricity supply, chronic transmission and distribution losses, and insufficient exploitation of existing capacity. The electricity regulator (the National Electric Power Regulatory Authority, or NEPRA) was established in 1998 as an autonomous body with no government administrative control. But while NEPRA has jurisdiction over tariffs, all decisions need to be approved by the state. Successive governments have set end-user tariffs below the cost of supply, covering the difference through extensive government subsidies paid to the utility. Delays in disbursing these subsidies have at times strained the finances of generation companies, undermining investments and the upkeep of the distribution network.



An aerial photograph of a city, likely in Afghanistan, showing a dense urban area with many small, light-colored buildings. In the background, there are rugged, brown mountains under a clear sky. The image is used as a background for the report cover.

# Registering Property

## MAIN FINDINGS

- Faced with the challenge of having less than 30% of urban land formally registered, Afghanistan remains one of the most difficult places globally to transfer land.
- There is potential to do better. Data show that transferring property takes only 2.5 months in Kandahar, compared with more than 8 months in Kabul.
- Procedural complexity, low levels of transparency and lack of adequate record-keeping infrastructure are some of the major obstacles to improving the reliability of the land administration system.



Land and natural resources are the main source of livelihood in Afghanistan. In rural areas, home to more than 85% of the population, agriculture employs 80% of the workforce—and nationally the sector accounts for around 40% of GDP.<sup>1</sup> But access to land is a major constraint for both private and public investment in Afghanistan. Less than 30% of land in urban areas is formally registered, and the share is estimated to be even lower in rural areas.<sup>2</sup> When handling land matters, most Afghans continue to rely on customary law and local dispute resolution mechanisms. Meanwhile, the land information system is beset by issues giving rise to conflicts and disputes that hamper economic development. These include paper-based processes, the limited number of court-registered deeds, overlapping claims to parcels, the

prevalence of customary claims and an outdated cadastre covering only around a third of total land.<sup>3</sup>

**In Afghanistan less than 30% of land in urban areas is formally registered.**

With real property (land and buildings) accounting for between half and three-quarters of the wealth in most countries, having an up-to-date land information system matters.<sup>4</sup> Research suggests that property owners with secure ownership are more likely to invest in private enterprises. Land registries, together with cadastres that identify the location of property, are tools used around the world to map, prove and secure property rights. For governments, having reliable,

up-to-date information on property is essential to correctly assess and collect tax revenues.<sup>5</sup> Such information is also critical in mapping out the needs in different locations.<sup>6</sup> Along with cadastres and survey maps, the information in land registries can help in planning the expansion of urban areas, strategically providing services and infrastructure in the areas where they are most needed, and mitigating the effects of environmental risks on urban populations.

## HOW DOES REGISTERING PROPERTY WORK IN AFGHANISTAN?

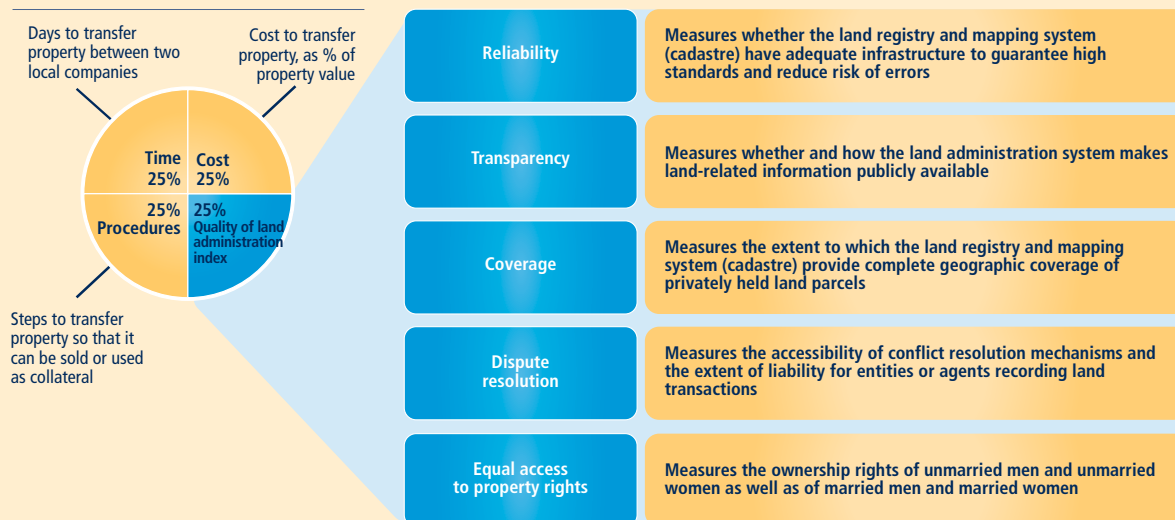
Like most other economies in South Asia, Afghanistan has a deeds registration system—a public repository of claims

## WHAT DOES REGISTERING PROPERTY MEASURE?

*Doing Business* records the full sequence of procedures necessary for a business (the buyer) to purchase a property from another business (the seller) and to transfer the property title to the buyer's name so that the buyer can use the property for expanding its business, use the property as collateral in taking new loans or, if necessary, sell the property to another business. It also measures the time and cost to complete each of these procedures. In addition, *Doing Business* measures the quality of the land administration system in each economy. The quality of land administration index has five dimensions: reliability of infrastructure, transparency of information, geographic coverage, land dispute resolution and equal access to property rights (see figure).

### Registering property: measuring the efficiency and quality of the land administration system

Rankings are based on distance to frontier scores for four indicators



to land with documents evidencing transactions.<sup>7</sup> In recent decades several legislative and constitutional changes relating to land administration have been introduced, but none has had a direct impact on the efficiency of property transfers. The Afghanistan Independent Land Authority (Arazi), created in 2010, is the national agency governing land administration. Its mandate centers on leasing state land to private investors.<sup>8</sup>

While property registration is an administrative process in most countries, in Afghanistan the judiciary plays a major role, because only the courts have the authority to issue formal title documents. Court-recorded deeds give public notice of property transactions and priority over unregistered or subsequent deeds. Primary court judges deal with property transfer applications and prepare and finalize legal

deeds. The records offices of appeals courts (Makhzans) store the deeds for immovable properties along with other types of documents, in archives known as *kundas*.<sup>9</sup> Municipalities also play an important part in the property registration process, including determining the value of the property.

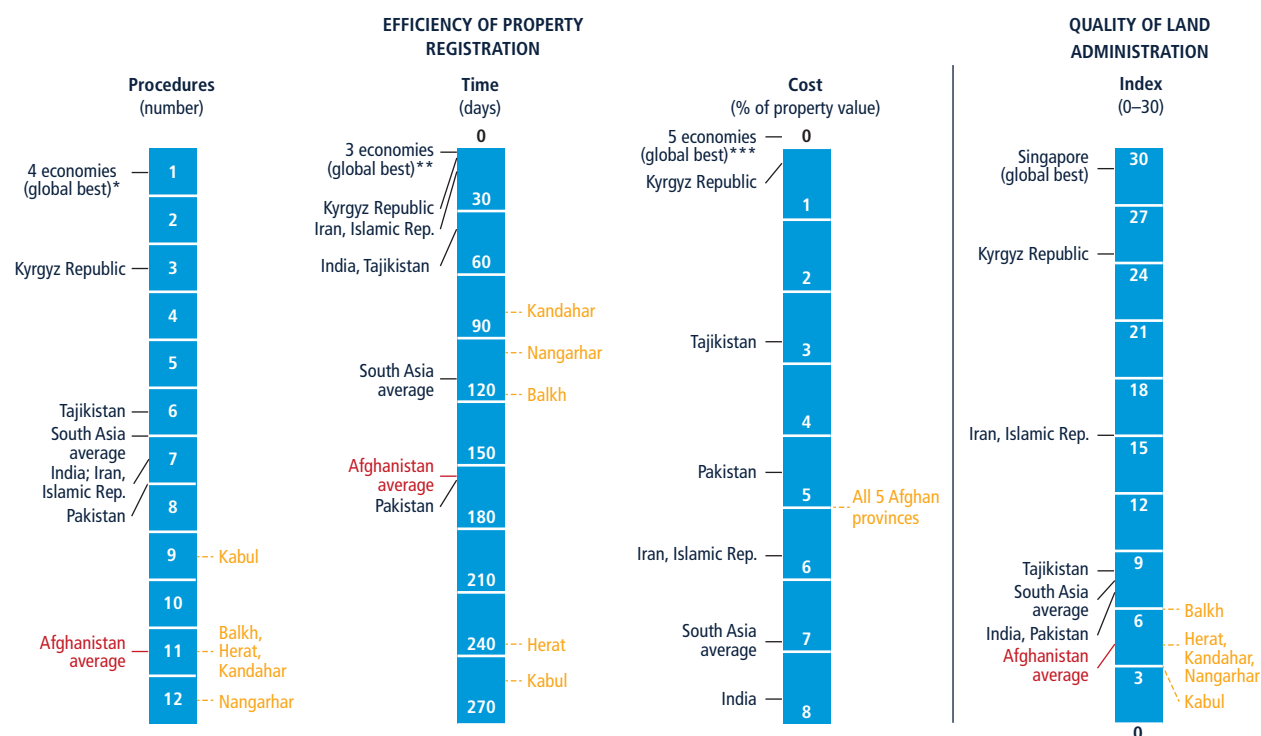
**The cost to transfer a property in Afghanistan is on par with the global average. But the process takes four more procedures and 1.5 more months than the average in South Asia.**

The process of transferring a commercial property in Afghanistan, as measured by *Doing Business*, is among the most cumbersome globally.<sup>10</sup> On average across the five provinces surveyed, registering a property transfer takes 11 procedures and

155 days and costs 5% of the property value. Indeed, Afghanistan lags behind the South Asian average on three of the four registering property indicators (figure 6.1). Transferring a property takes four more procedures and 1.5 months longer in Afghanistan than the average in South Asia. Afghanistan also lags far behind the regional average in the score on the quality of land administration index (box 6.1). Nonetheless, the cost of transferring a property in Afghanistan is on par with the global average (5.4% of the property value) and lower than the South Asian average (6.9%).

Among the five provinces, property registration is fastest in Kandahar: it takes 11 procedures and about 2.5 months (table 6.1). Registering property is most difficult in Herat, which has the second largest population: there it takes 11 procedures and nearly 8 months.

**FIGURE 6.1** Registering a property in Afghanistan takes almost twice as many procedures as the average for South Asia



Source: *Doing Business* database.

\* These are Georgia, Norway, Portugal and Sweden.

\*\* These are Georgia, New Zealand and Portugal.

\*\*\* These are Belarus, Georgia, Kiribati, Saudi Arabia and the Slovak Republic.

### BOX 6.1 The quality of land administration index—going beyond efficiency

Good land administration is not just efficient. It ensures property owners a secure title, backed by a reliable land administration system. The quality of such a system, as measured by *Doing Business*, depends on four main factors, each scored for the quality of land administration index: reliability of infrastructure (8 points); transparency and public availability of records (6 points); geographic coverage of the registry and mapping agency (8 points); and accessibility of conflict resolution mechanisms for land-related disputes (8 points) (see figure).

A reliable land administration system provides clear information on property ownership and prevents fraudulent transactions.<sup>a</sup> Adequate infrastructure for keeping property records is key to ensuring reliability. Afghanistan receives a score of 0 on this component because its system relies on paper-based documents, lacks an electronic database to check for encumbrances or record property boundaries and lacks a connection between registry and cadastral databases.<sup>b</sup>

Transparency—whether and how the land administration system makes land-related information (such as fee schedules, time limits and statistics) publicly available—reduces procedural complexity for clients and minimizes opportunities for bribery. Afghanistan receives a score of 0 because records are not publicly available, nor are the applicable fees, requirements or checklist of documents to be submitted. Moreover, there are no time-limit commitments, no specific mechanism for filing complaints and no publicly available statistics tracking property transactions.

Where land registries do not provide complete geographic coverage, companies and individuals cannot be sure whether the areas not covered are relevant to their interests.<sup>c</sup> Globally, only 27% of economies have a registry with full coverage of private land—and only 34% a cadastre with complete coverage. Afghanistan has not achieved full coverage, so receives a score of 0. It is estimated that only a third of its land has been surveyed, with a higher share in urban areas.<sup>d</sup> Geographic conditions, inadequate technology and lack of a stable government are among the main challenges.

Accuracy of information in land registries and property transactions helps avoid potential disputes. In Afghanistan all property transactions need to be registered to make them opposable to third parties (1.5 points) and the system is subject to guarantee (0.5 points), as in 148 other economies. Responsibility for verifying the legality of the documents and the identities of the parties falls to the courts (1 point). When land-related disputes do arise, they are handled by district primary courts, with delays varying by location. Resolution of a land dispute in the courts in Balkh is fast, taking less than one year (3 points). By contrast, it takes more than a year in Herat, Kandahar and Nangarhar (1 point) and more than three years in Kabul (0 points).

In 2016 *Doing Business* added a gender component to the quality of land administration index, differentiating ownership rights—the ability to manage, control, administer, access, encumber, receive, dispose of and transfer property—for men and women. Scoring for this new component assesses whether there is differential treatment of men and women in the law, considering the default marital property regime. The index ranges from –2 to 0, with higher values indicating greater inclusiveness of property rights. Afghanistan receives a score of 0, indicating equal property rights for men and women in what is measured here.

#### Afghanistan lags behind on three of four components of the quality of land administration index



Source: *Doing Business* database.

a. UN-Habitat, *Tools to Support Transparency in Land Administration* (Nairobi: UN-Habitat, 2013).

b. The U.S. Agency for International Development's Land Titling and Economic Restructuring in Afghanistan (LTERA) Program and the Afghan NGO Harakat have started scanning title deeds in Kabul and some other provinces, but the vast majority of deeds are still held in paper form.

c. Klaus Deininger, Harris Selod and Anthony Burns, *The Land Governance Assessment Framework: Identifying and Monitoring Good Practice in the Land Sector* (Washington, DC: World Bank, 2012).

d. Some land was registered in the 1970s, but registration then stopped for decades. Arazi is now registering an estimated 20,000 *jeribs* (40 million square meters) of land a year.

TABLE 6.1 Where is it easy to register property in Afghanistan—and where not?

Province (City)	Rank	Distance to frontier score (0–100)	Procedures (number)	Time (days)	Cost (% of property value)	Quality of land administration index (0–30)
Kandahar (Kandahar)	1	40.31	11	75	5	4.0
Balkh (Mazar-i-Sharif)	2	36.72	11	119	5	6.0
Nangarhar (Jalalabad)	3	35.60	12	97	5	4.0
Kabul (Kabul)	4	27.50	9	250	5	3.0
Herat (Herat)	5	24.17	11	236	5	4.0

Source: *Doing Business* database.

Note: Rankings are based on the average distance to frontier score for the procedures, time and cost associated with registering property as well as for the quality of land administration index. The distance to frontier score is normalized to range from 0 to 100, with 100 representing the frontier of best practices (the higher the score, the better). For more details, see the chapter “About *Doing Business* and *Doing Business in Afghanistan 2017*.”

Registering a property also requires 11 procedures in Balkh, while it takes 9 in Kabul and 12 in Nangarhar. But the process an entrepreneur has to go through is similar across all five provinces (figure 6.2). The entrepreneur begins by filing an application and obtaining two circular forms (one for the sale of the land, one for the sale of the building) from the district primary court where the property is located (procedure 1).<sup>11</sup> The judge of the primary court signs the application and circular forms to

initiate a deed search at the Makhzan, the appeals court archives (2). The Makhzan keeper searches for the deed using details provided by the applicant, including the reference number and pictures of the property, and ensures that the information on the circular forms matches the records before passing the documents on to the chief of the Makhzan. Next, the applicant submits the circular forms to the municipality's property office (Milkiat-ha) to obtain confirmation of ownership

(3). The forms are then circulated to two other municipal offices (the engineering team and Amlak committee) to obtain an assessment of the property value—by the applicant in person or, in Kabul, by messenger (4 and 5).<sup>12</sup>

The next step is for the applicant to take the circular forms to the tax collection office of the Ministry of Finance's local provincial revenue department (Mustofiat) for certification of property transfer taxes owed (6). The circular forms are also submitted to the Mustofiat's human resources directorate to have the signatures of the local Mustofiat staff certified and avoid forgery (7).

Back in court, the primary court judge reviews the completed circular forms and the clerk the taxes owed (8), which are then paid at a bank (9). After that, the primary court judge signs the new deed (10). The *konda* (stub copy) is maintained in the primary court until the end of the financial year, when the full record book is passed on to the Makhzan for storage.

Finally, the applicant takes the new deed to the municipality to apply for a title transfer (11). In Nangarhar it is also common for applicants to submit the

FIGURE 6.2 The procedural requirements to transfer property are similar across Afghanistan, though implementation varies

PROCEDURE	AGENCY
<b>Preregistration</b>	
<ul style="list-style-type: none"> <li>Obtain and submit the application form and circular forms</li> <li>Submit the circular forms to initiate the search of registered deeds</li> <li>Submit the circular forms to the Milkiat-ha (property office)</li> <li>Submit the circular forms to the engineering team</li> <li>Submit the circular forms to the Amlak committee</li> <li>Submit the circular forms to the tax collection office</li> <li>Submit the circular forms to the human resources directorate for certification of signatures</li> <li>Submit the completed circular forms</li> <li>Pay property transfer taxes (seller)</li> </ul>	Primary court Makhzan (appeals court archives) Municipality Municipality Municipality Mustofiat (Ministry of Finance's provincial revenue department) Mustofiat Primary court Commercial bank
<b>Registration</b>	
<ul style="list-style-type: none"> <li>Submit the completed circular forms with payment receipts</li> </ul>	Primary court
<b>Postregistration</b>	
<ul style="list-style-type: none"> <li>Submit application for title transfer</li> <li>Submit the new deed for signature</li> </ul>	Municipality Governor's office Only in Nangarhar

Source: *Doing Business* database.

new deed to the office of the governor for signature. This adds one procedure and two days.

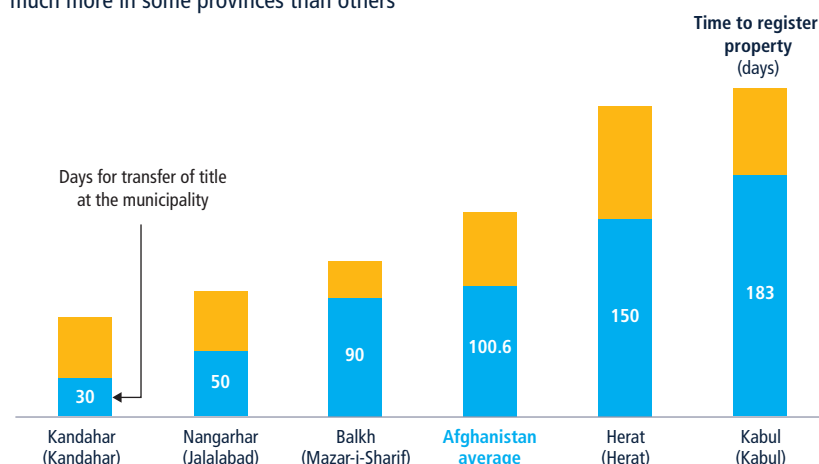
**The time needed to transfer property varies substantially across provinces, ranging from 2.5 months in Kandahar to more than three times that in Kabul.**

The time needed to transfer property varies substantially across provinces, ranging from 2.5 months in Kandahar to more than three times that in Kabul. The time for the title deed search at the Makhzan ranges from 5 to 8 days, depending on the efficiency of the court and the condition of the records.<sup>13</sup> The total time needed for getting the circular forms approved by the municipality's three offices (the Milkiat-ha, engineering team and Amlak committee) is 7 days in Balkh and 8 in Herat, Kandahar and Nangarhar. In Kabul, where a messenger circulates the forms on the applicant's behalf, it takes 15 days—more than in the provincial cities but less than if done by the applicant in person. The differences mainly reflect the frequency of the Amlak committee meetings (where Arazi, the Ministry of Finance and the Ministry of Agriculture may all be represented).

Once the applicant returns to the primary court with the completed circular forms to have the new deed signed by both parties to the transaction, the primary court judge's review of the deed prepared by the clerk takes from 9 days in Balkh to 31 days in Kabul. Judges do not always accept the value established by the municipality, which can cause additional delays.

**The biggest bottleneck occurs when the applicant requests the title transfer at the municipality, which means having the name changed in the property book (*safae*), electricity book and sanitation tax book.**

**FIGURE 6.3** Transfer of title at the municipality takes the most time everywhere, but much more in some provinces than others

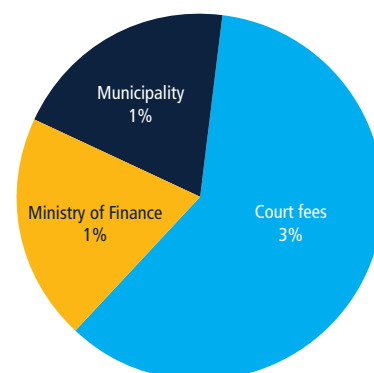


Source: Doing Business database.

The biggest bottleneck occurs when the applicant requests the title transfer at the municipality, which means having the name changed in the property book (*safae*), electricity book and sanitation tax book. This involves several agencies and can take from 30 days in Kandahar to 183 in Kabul, assuming that no bribe is paid (figure 6.3). Some of the differences in time are due to variation in the volume of applications and shortages of technical personnel capable of accepting and processing applications in a timely manner. Work piles up, leading to backlogs and delays. In addition, the use of paper rather than digital records slows the processing of approvals everywhere. Moreover, the overall process at the municipal property offices lacks transparency; there are allegations of corruption and informal payments, and disputes are common.

Fees are uniformly applied across the country. In all locations the total cost of transferring property is 5% of the property value (US\$1,575 for the *Doing Business* case study property).<sup>14</sup> The largest share of the cost, 3% of the property value (US\$945), is payable to the court (*Mahkama*) as a registration fee (figure 6.4).<sup>15</sup> In addition, the Ministry of Finance and the municipality each charge 1% of the property value (US\$315).

**FIGURE 6.4** Court fees account for the largest share of property transfer costs



Source: Doing Business database.

Note: The values displayed are the fees as a percentage of the property value.

## WHAT CAN BE IMPROVED?

Good practices in other economies suggest ways in which Afghanistan could improve its own land administration system.

### Make standardized forms and fee schedules available at primary courts

Making standardized forms for sale and purchase agreements available in hard copy at the primary courts or online would reduce the time required



to record property transfers—because widespread use of standardized contracts reduces the potential for mistakes and irregularities. When introducing standardized contracts, courts should publicize their availability and the benefits of using them. Turkey, among other economies, provides standardized contracts at the registry, where parties simply fill out the contracts and submit them on the spot. Easy access to fee schedules and documentation requirements for land registration also saves businesses time, as well as increasing predictability in the application of regulations and reducing the perception of corruption.

### **Make property registration an administrative process**

Finding court registration too burdensome, many property owners in Afghanistan use alternative methods to secure property rights—with the result that transactions are not opposable to third parties. But property registration is an administrative matter, not a judicial one. When judges are involved in property registration, they have less time for resolving disputes, their main business.

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**Many property owners in Afghanistan use alternative methods to secure property rights—with the result that transactions are not opposable to third parties.**

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Taking registration entirely out of the courts—considered an international good practice—makes it easier to unify or link the registry with the cadastre. That in turn makes it easier to detect overlapping and duplicate titles, saving time in due diligence and improving the security of property rights. Only 15% of economies that involve courts in registration have a unified cadastre and registry—while more than half of other economies do. Where the cadastre and registry are in the same agency, entrepreneurs spend 40 days less on

average to register property. Switching to an administrative system would also make property transfers more transparent. This is especially important in Afghanistan, whose judicial system is considered to lack transparency.<sup>16</sup>

Several countries took property registration out of the courts in recent decades. The Dominican Republic made some property registration procedures administrative and set time limits on registration. The time to register property fell by 44%. El Salvador took registration out of the courts and unified the registry with the cadastre in 1999, cutting several months off the time to register property. Honduras followed suit, placing registration under a new agency reporting to the executive branch.

Afghanistan's Cabinet of Ministers recently decided that property registration should move from the courts to the independent land authority Arazi as an administrative process. A pilot project is due to begin soon in the provinces of Herat and Kabul. This is a promising start—especially because registering property is especially cumbersome in those provinces.<sup>17</sup> For a model, policy makers could look to the country's successful experience in taking company registration out of the commercial courts. As represented by the city of Kabul, where the Afghanistan Investment Support Agency serves as a one-stop shop for company registration, Afghanistan ranks first among South Asian economies on the ease of starting a business.

### **Digitize land-related records and processes**

While many economies have modernized their land registry by introducing technology, Afghanistan continues to rely on paper-based records systems (as do 74 other economies covered by *Doing Business*). Economies that invest in a digital land registration system benefit in several ways. The first is through greater efficiency. The 37 economies that computerized their land records since 2011

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**Economies with varied circumstances and income levels made good progress through a step-by-step approach in going digital.**

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reduced the time to transfer property by 38% on average, compared with only 7% for those that did not.<sup>18</sup> Computerization also helps reduce duplication in the storage of information and makes it possible to consolidate a large amount of information in one database. It optimizes processes by streamlining workflows and helps compile information in ways not possible with manual systems. In addition, it allows the land registry to set up tracking mechanisms to assess performance and improve customer service.

Moreover, computerization increases the reliability of land records—by making it possible to create backup copies of records, avoid the misplacement and loss of records and prevent fraudulent actions. Digitized records protect information from natural disasters such as floods or earthquakes, from wars and from the effects of time (excessive use, moisture).<sup>19</sup> In Pakistan the floods of 2010 destroyed thousands of paper land records, leading to the loss of the only evidence that people had of their land tenure.<sup>20</sup>

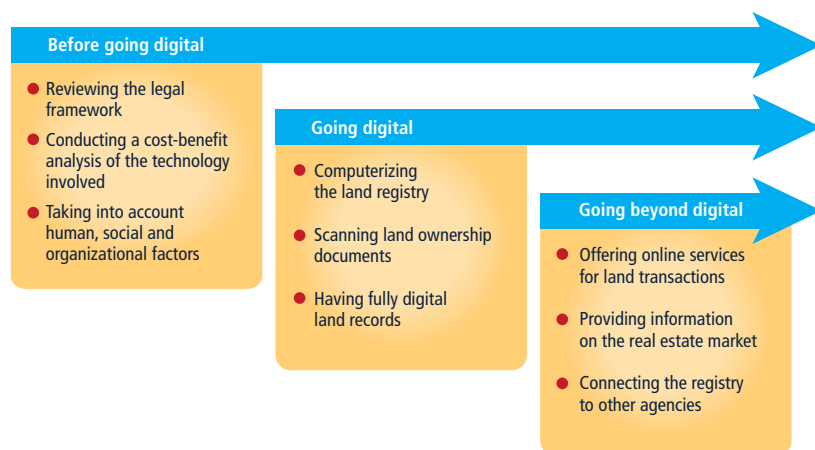
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**Computerization increases the reliability of land records—by making it possible to create backup copies of records, avoid the misplacement and loss of records and prevent fraudulent actions.**

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Developing economies should not be discouraged by the magnitude of the changes involved in going digital. Yet they should be aware that it yields results only in the long run. Economies with varied circumstances and income levels made good progress through a step-by-step approach (figure 6.5).<sup>21</sup>

FIGURE 6.5 What are the stages in projects digitizing land records?



Source: *Doing Business* database.

Sierra Leone computerized its Ministry of Lands, Country Planning and the Environment. Among South Asian economies, Sri Lanka computerized its land registry in Colombo five years ago. The new electronic system helped increase the registry's efficiency in processing property transfer applications. Pakistan, the only South Asian economy for which *Doing Business* recorded a reform in registering property in 2015/16, started deploying an automated land records system in the province of Punjab back in 2007.

To ensure a successful transition, policy makers need to take into account such considerations as a supportive legal framework and the appropriate information technology and data infrastructure—all currently missing in Afghanistan. Another necessary precursor to digitization is an efficient paper-based system, because computerizing an inefficient one may result in a more expensive system that's still inefficient.<sup>22</sup> Though costlier than scanned records, digital databases have a greater effect on efficiency by allowing quick title searches and protecting against double registration.

Creating a coherent cadastre model by developing urban master plans is a

necessity in Afghanistan, as is expanding survey coverage. Cadastral maps increase tenure security by providing information about the physical characteristics of land and the boundaries of parcels. Despite political will, survey mapping remains a challenging task in Afghanistan because of the difficult context (manual field surveying, limited infrastructure, security issues). Adopting information and communication technology would help link land registries with the cadastral system.

### Improve tenure security and dispute resolution mechanisms for land

Many legal disputes in Afghanistan are related to land. Lack of tenure security causes conflicts that exacerbate ethnic and religious tensions and undermine sustainable development and public trust. The poor tenure security stems from multiple historical factors: outdated systems, vested interests, confusing legal frameworks, overlapping responsibilities, lack of local capacity, decades of conflict, the expropriation of large landholdings under Soviet rule and widespread displacement of poor and vulnerable people.<sup>23</sup>

Increasing tenure security is a process, not a single event, and interventions

**Afghanistan could look to Rwanda—the only African country that has succeeded in documenting all rights to land.**

should be tailored to the local context.<sup>24</sup> Afghanistan could look to Rwanda—the only African country that has succeeded in documenting all rights to land.<sup>25</sup> The two countries have common features—fragmented land laws, a predominantly agrarian economy, recurring land-related conflicts,<sup>26</sup> and returning refugees putting pressure on the government to address tenure insecurity and land-related conflict.<sup>27</sup> Rwanda's achievement came thanks to 15 years of dedicated reform efforts, starting with a comprehensive review of its legal and institutional framework.<sup>28</sup> Today the country is at number 4 in the *Doing Business* global ranking on the ease of registering property.

Resolving a land dispute in Afghanistan can take years at court as well as substantial resources, and the system does not always offer fair representation. Moreover, there is no compensation mechanism for losses incurred by parties who engaged in good faith in a property transaction based on erroneous information certified by courts. Primary courts are responsible for both transferring property and resolving first-instance property disputes. These processes need to be separated into different entities to remove potential bias from mechanisms of redress.

When disputes do arise, having in place a specialized dispute resolution mechanism ensures more expedient resolution.<sup>29</sup> Alternative dispute resolution (such as mediation) can help ease the burden on congested courts. Just a dozen economies have mediation procedures specifically for land disputes. One is Liberia, which instituted a program for resolving land disputes through mediation to fill a gap left by the virtual collapse of its court system after the civil

war.<sup>30</sup> Afghanistan's situation suggests a need for a similar mechanism.

### **Replace the property valuation process with a standardized schedule of property values**

The process of property valuation by municipal officers lacks transparency. Anecdotal evidence suggests that property owners sometimes offer informal payments to encourage officers to undervalue property, so that less tax is owed to the government.<sup>31</sup> In addition, municipal officers often rely on the book value of land and buildings to assess the amount owed, rather than the current value. Moreover, on-site valuation of property can be a source of delays.

Different solutions could be considered. One option with potential revenue advantages would be to replace the variable registration fee (assessed at 5% of the property value) with a flat fee or a fixed rate per square meter, depending on the property's location. A study could assess the potential impact on tax revenue. Reasonable flat fees can remove incentives to avoid registering property transfers or to undervalue properties. The Arab Republic of Egypt reduced its registration tax from 3% of the property value to a flat fee of around US\$200. The volume of transactions increased, and property registration revenue went up by 39%.<sup>32</sup>

A second option would be to establish a standardized schedule of property values. This would ensure uniformity and consistency in the valuation process, reduce delays and allow the transacting parties to anticipate their tax liabilities. To ensure transparency, the schedule should be made available at the municipality and published online. Since property improvements are not systematically recorded in the cadastre, an inspector could be dispatched during the property valuation process to ensure that the property is as described and that no construction has gone unrecorded. Addis Ababa, Ethiopia, introduced a master table denoting property values for different zones of the city

when it started decentralizing its property registration services in 2010. It opened 10 offices responsible for estimating the value of properties in their zone using the master table.

### **Streamline internal processes**

The process at the Makhzan is straightforward, but every deed search requires the approval of the chief of the Makhzan and takes up to eight days to complete. People come to the Makhzan for a wide range of needs—from property issues to certificates to claim a pension—resulting in long lines and delays. Creating a dedicated channel for deed searches would speed up access to the property archives of the Makhzan.

There is also room for streamlining the process at the Mustofiat. Applicants need to submit the circular forms to the Mustofiat's human resources directorate to get its staff's signatures certified. This takes up to three days. Staff identity checks could be conducted internally, without burdening the applicants. After the Mustofiat certifies the property transfer taxes owed, it could forward the circular forms directly to the human resources directorate, where applicants could pick up the final forms. A couple of years ago the Kyrgyz Republic made registering property easier by simplifying documentation requirements.

### **Consolidate postregistration procedures**

Once property buyers receive a new deed from the primary court, they need to bring it to the municipality to get the name in the books changed. This procedure can take up to six months. If the primary court updated the name with the municipality directly and immediately—with no involvement of the applicant—this would both save time and reduce opportunities for corruption.

Another, more ambitious option would be to implement a one-stop shop for property registration—something undertaken not only in high-income economies. Burundi opened a one-stop shop in 2013.

Combining the services of the Municipality of Bujumbura, the tax authority and the land registry under one roof enabled companies to avoid multiple visits to different agencies and thus complete property transfers faster.

### **Make transparency of information a priority**

Transparency is essential to the quality of a land administration system. It helps eliminate asymmetries in information between users and officials and increases the efficiency of the land market. It also minimizes the possibilities for informal payments to register property, change a title or acquire information on land and property. Conversely, complicated processes and limited availability of information in the land sector facilitate bribery (figure 6.6).<sup>33</sup>

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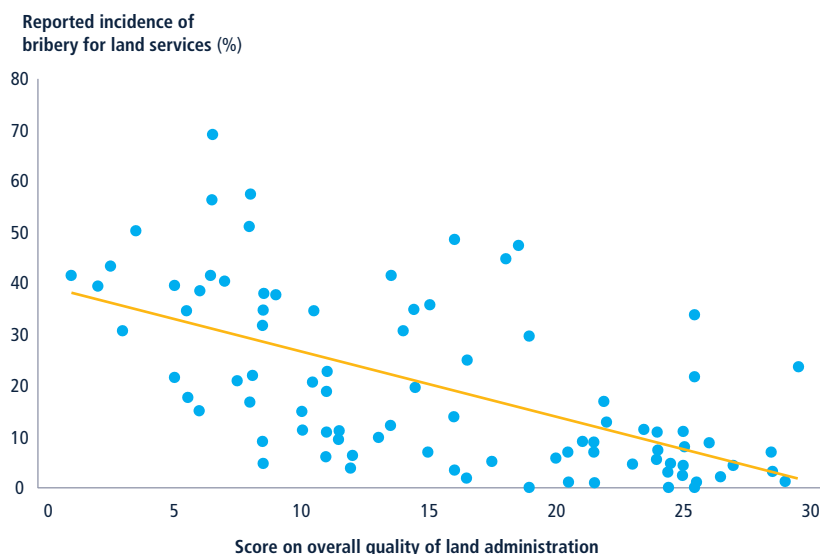
**The Afghan land administration system should make all land-related information—on procedures, property transactions and fees—publicly available and ensure that it is clear and easily accessible.**

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To achieve transparency, the Afghan land administration system should make all land-related information—on procedures, property transactions and fees—publicly available and ensure that it is clear and easily accessible. In addition, statistics on the number of land disputes in the first instance should be officially recorded, consolidated, regularly updated and made publicly available. Some 100 economies already compile statistics tracking the performance of their land services, and half of them make those statistics public.

Transparency usually brings accountability by empowering citizens—through knowledge of what to expect and which agencies or individuals to hold accountable. But strong mechanisms for holding those parties accountable are also critical. To ensure accountability, Afghanistan needs to implement a specific and independent means for filing an official complaint about land services.

FIGURE 6.6 A better and more transparent land administration system is associated with a lower incidence of bribery at the land registry



Source: World Bank, *Doing Business 2015: Going Beyond Efficiency* (Washington, DC: World Bank, 2014), p. 62.

Note: The score on the overall quality of land administration is obtained through a set of questions on reliability, transparency, coverage and dispute resolution. For example, an economy receives 1 point if it has a functional electronic database for encumbrances; 1 point if it makes the documents and fee schedules for property registration publicly available (online or on public boards); 1 point if it compiles statistics on land transactions and makes them publicly available and so on. The highest possible score, indicating the highest overall quality, is 30 points. The reported incidence of bribery refers to the share of people reporting in Transparency International's Global Corruption Barometer 2013 survey that when they had contact with land services in the previous 12 months, they paid a bribe for services. The correlation between the score on the overall quality of land administration and the reported incidence of bribery is  $-0.60$ . The relationship is significant at the 1% level after controlling for income per capita. The analysis is based on 88 observations.

## NOTES

1. World Bank, "Revitalizing Agriculture for Growth, Jobs, and Food Security in Afghanistan," 2017, <http://www.worldbank.org/en/country/afghanistan/publication/revitalizing-agriculture-for-growth-jobs-and-food-security-in-afghanistan>; U.S. Agency for International Development (USAID), "Afghanistan: Agriculture," <https://www.usaid.gov/afghanistan/agriculture>.
2. About 70% of urban real estate is unregistered and 85% of property transactions are informal, according to 2010 USAID estimates cited by Walter Pincus, "Reinventing Afghan Real Estate," *Washington Post*, September 20, 2010, <http://www.washingtonpost.com/wp-dyn/content/article/2010/09/20/AR2010092005660.html>.
3. Land was flagged as a major unmet issue for private sector development in the World Bank's Interim Strategy Note for Afghanistan for 2012-14 (<http://www.worldbank.org/en/news/feature/2012/06/05/afghanistan-interim-strategy-note-2012-2014>).
4. World Bank, *World Development Report 1989* (New York: Oxford University Press, 1989).
5. Modernization and computerization of land management in the Indian state of Karnataka quadrupled land-related revenue from US\$120 million in 2000 to US\$480 million in 2008. European Parliament, *Report on the Role of Property Rights, Property Ownership and Wealth Creation in Eradicating Poverty and Fostering Sustainable Development in Developing Countries* (2014).
6. Besides the information held in land registries and cadastres, other geographic, environmental and socioeconomic data are also useful for urban planning and development.
7. The other economies in South Asia are Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka.
8. Investors' ability to purchase or lease land is very limited in Afghanistan (because of lack of transparency in the property market, frequent title disputes and rapidly rising prices). In addition, the government owns most land.
9. A *kunda* is a book containing up to 100 legal documents. Normally a separate *kunda* is used for each type of document. There are 27 types in total, with title deeds accounting for about 10% of all legal documents in the archives.
10. As represented by the city of Kabul, Afghanistan is second to last in the *Doing Business* ranking on the ease of registering property (186 of 190 economies). Libya, the Marshall Islands, the Federated States of Micronesia and Timor-Leste are all tied in last place (187).
11. The application includes the address and district of the property, the seller's deed archive number and the date the seller's deed was issued, the boundaries and sale price of the property, a statement that the seller wants to sell the property to the buyer, and whether the property is mortgaged. The circular forms contain information on the seller and the buyer

as well as boxes where the relevant authorities add information and signatures at different steps of the process. In addition, the owner must provide evidence—officially certified documents or oral testimony from reliable witnesses—that he or she is the legitimate owner.

12. The municipality's engineering team looks at the building's size, location, technical features and construction materials. The Amlak committee establishes the value of the land and also checks for back-due sanitation taxes and makes sure that the property is free from any restrictions (such as mortgages or public land). The use of a messenger to circulate the forms to these municipal entities cuts two procedures in Kabul.
13. The paper title deeds at Makhzans are often in poor condition as a result of wars and bad climatic conditions. It is also common for deeds to have been lost or misplaced.
14. Additional costs—such as fees charged by messengers—are set at the local level, but their impact on the overall cost is negligible.
15. The 3% rate applies for property values above AFN 1 million. According to interviews conducted during this project, the tax for transferring a property should be 1% but the court charges 2% extra as a stamp duty fee. Below AFN 1 million, the registration fee is 2%. The value of the case study property is AFN 1,879,943 (US\$31,500).
16. Transparency International ranks Afghanistan at 166 among 168 economies on its Corruption Perceptions Index, which assesses perceived levels of corruption as determined by expert assessments and opinion surveys (<https://www.transparency.org/country/AFG>).
17. A five-year strategic plan is under preparation and will serve as the basis for a 50-year road map for Arazi.
18. *Doing Business* database.
19. Kevin Barthel, Grenville Barnes and J. David Stanfield, "Land Registration Modernization in Developing Economies: A Discussion of the Main Problems in Central/Eastern Europe, Latin America and the Caribbean," *URISA Journal* 12, no. 4 (2000): 27–36.
20. UN-Habitat, "Provincial Government of Khyber Pakhtunkhwa and UN-Habitat Inaugurates GIS Labs for Computerization and Digitization Process of Land Records," October 3, 2012, [http://www.fukuoka.unhabitat.org/projects/voices/pakistan/detail01\\_en.html](http://www.fukuoka.unhabitat.org/projects/voices/pakistan/detail01_en.html).
21. Klaus Deininger and Aparajita Goyal, "Going Digital: Credit Effects of Land Registry Computerization in India," *Journal of Development Economics* 99, no. 2 (2012): 236–43.
22. Laura Diniz, Frédéric Meunier, Haya Mortada, Parvina Rakhimova and Joonas Taras, "Registering Property: The Paths to Digitization," in World Bank, *Doing Business 2016: Measuring Regulatory Quality and Efficiency* (Washington, DC: World Bank, 2016).
23. When massive repatriation of refugees occurred, the United Nations High Commissioner for Refugees (UNHCR) reported that 74.3% of returnees did not have access to farmland. The link between displacement and increase in land disputes is commonly recognized. Amnesty International, "Afghanistan: Out of Sight, Out of Mind: The Fate of the Afghan Returnees," June 22, 2003, <https://www.amnesty.org/en/documents/asa11/014/2003/en/>.
24. World Bank Group, Independent Evaluation Group, "Lessons from Land Administration Projects: A Review of Project Performance Assessments" (World Bank Group, Washington, DC, 2015).
25. In Rwanda 10.67 million land parcels were demarcated and entered in the Land Tenure Regularization (LTR) and Land Administration Information System (LAIS) database over a period of 15 years.
26. Rwanda identified land scarcity and land-related conflicts as contributing to the 20th-century genocide in the country.
27. Thea Hilhorst and Frédéric Meunier, *How Innovations in Land Administration Reform Improve on Doing Business: Cases from Lithuania, the Republic of Korea, Rwanda and the United Kingdom* (Washington, DC: World Bank, 2015).
28. Polly Gillingham and Felicity Buckle, "Rwanda Land Tenure Regularization Case Study," Evidence on Demand, 2014, doi:10.12774/eod\_hd.march2014.
29. Edgar Chavez, Laura Diniz, Frédéric Meunier, Parvina Rakhimova and Marilyn Youbi, "Registering Property: Measuring the Quality of Land Administration Systems," in World Bank, *Doing Business 2015: Going Beyond Efficiency* (Washington, DC: World Bank, 2014).
30. The Liberian government set up the National Land Commission to address fundamental land tenure issues and develop interim measures for resolving land disputes.
31. Firm survey data for Afghanistan show that corruption is the second most important obstacle to business (cited by 16.2% of firms), after political instability (cited by 25%). Incidents of bribery reported by firms occur twice as often as the South Asian average. Enterprise Survey database, World Bank, <http://www.enterprisesurveys.org/>.
32. World Bank, *Doing Business 2008* (Washington, DC: World Bank, 2007).
33. Transparency International, "Corruption in the Land Sector," Working Paper 4 (Berlin, 2011).



## Data Notes

The indicators presented and analyzed in *Doing Business* measure business regulation and the protection of property rights—and their effect on businesses, especially small and medium-size domestic firms. First, the indicators document the complexity of regulation, such as the number of procedures to start a business or to register a transfer of commercial property. Second, they gauge the time and cost to achieve a regulatory goal or comply with regulation, such as the time and cost to enforce a contract, go through bankruptcy or trade across borders. Third, they measure the extent of legal protections of property, for example, the protections of minority investors against looting by company directors or the range of assets that can be used as collateral according to secured transactions laws. Fourth, a set of indicators documents the tax burden on businesses. Finally, a set of data covers different aspects of employment regulation. The 11 sets of indicators measured in *Doing Business* were added over time, and the sample of economies and cities expanded.

This report presents *Doing Business* indicators for five locations in Afghanistan. The data for all sets of indicators in *Doing Business in Afghanistan 2017* are current as of November 2016. The data for Kabul and 189 other economies used for comparison are based on the indicators in *Doing Business 2017: Equal Opportunity for All*, the 14th in a series of annual reports published by the World Bank Group.

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### METHODOLOGY

The *Doing Business in Afghanistan 2017* data were collected in a standardized way. To start, the team customized the *Doing Business* questionnaires for the specific study in Afghanistan. The questionnaires use a simple business case to ensure comparability across locations and economies and over time—with assumptions about the legal form of the business, its size, its location and the nature of its operations. Questionnaires were administered to local experts, including lawyers, business consultants, architects, engineers, public officials, magistrates and other professionals routinely administering or advising on legal and regulatory requirements. These experts had several rounds of interaction with the *Doing Business in Afghanistan* team, involving conference calls, written correspondence and visits by the team. The data from questionnaires were subjected to numerous rounds of verification, leading to revisions or expansions of the information collected.

The *Doing Business* methodology offers several advantages. It is transparent, using factual information about what laws and regulations say and allowing multiple interactions with local respondents to clarify potential misinterpretations of questions. Having representative samples of respondents is not an issue; *Doing Business* is not a statistical survey, and the texts of the relevant laws and regulations are collected and answers checked for accuracy. The methodology

is inexpensive and easily replicable, so data can be collected in a large sample of locations and economies. Because standard assumptions are used in the data collection, comparisons and benchmarks are valid across locations. Finally, the data not only highlight the extent of specific regulatory obstacles to business but also identify their source and point to what might be reformed.

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### LIMITS TO WHAT IS MEASURED

The *Doing Business* methodology has four limitations that should be considered when interpreting the data. First, the data often focus on a specific business form—generally a limited liability company (or its legal equivalent) of a specified size—and may not be representative of the regulation on other businesses (for example, sole proprietorships). Second, transactions described in a standardized case scenario refer to a specific set of issues and may not represent the full set of issues that a business encounters. Third, the measures of time involve an element of judgment by the expert respondents. When sources indicate different estimates, the time indicators reported in *Doing Business* represent the median values of several responses given under the assumptions of the standardized case.

Finally, the methodology assumes that a business has full information on what is required and does not waste time when completing procedures. In

## Economy characteristics

### Gross national income per capita

*Doing Business in Afghanistan 2017* reports 2015 income per capita as published in the World Bank's World Development Indicators 2016. Income is calculated using the Atlas method (in current U.S. dollars). For cost indicators expressed as a percentage of income per capita, 2015 gross national income (GNI) per capita in current U.S. dollars is used as the denominator. Afghanistan's income per capita for 2015 is US\$630 (AFN 37,599).

### Region and income group

*Doing Business* uses the World Bank regional and income group classifications, available at <http://data.worldbank.org/about/country-and-lending-groups>. Regional averages presented in figures and tables in the *Doing Business in Afghanistan 2017* report include economies from all income groups (low, lower middle, upper middle and high income), though high-income OECD economies are assigned the "regional" classification OECD high income.

### Exchange rate

The exchange rate used in the *Doing Business in Afghanistan 2017* report is: US\$1 = 59.7 Afghani (AFN).

practice, completing a procedure may take longer if the business lacks information or is unable to follow up promptly. Alternatively, the business may choose to disregard some burdensome procedures. For both reasons the time delays reported in *Doing Business* would differ from the recollection of entrepreneurs reported in the World Bank Enterprise Surveys or other firm-level surveys.

## CHANGES IN WHAT IS MEASURED

*Doing Business 2017* has three major innovations. First it expands the paying taxes indicator set to also cover postfiling processes. Paying taxes is the final indicator set to be changed as part of the methodology update initiated in *Doing Business 2015*. Second, three indicator sets (starting a business, registering property and enforcing contracts) were expanded to cover a gender dimension, in addition to labor market regulation which was expanded last year. Starting a business was expanded to also measure the process of starting a business when all shareholders are women. Registering property now also measures equality in ownership rights to property. And enforcing contracts was expanded to measure equality in evidentiary weight for men and women. Despite the changes in methodology introduced

in the *Doing Business 2017* report, the data under the old and new methodologies are highly correlated.<sup>1</sup>

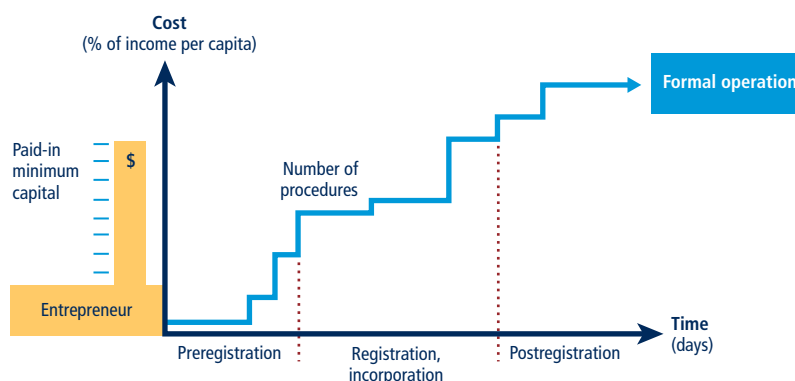
## STARTING A BUSINESS

*Doing Business* records all procedures officially required, or commonly done in practice, for an entrepreneur to start up and formally operate an industrial or commercial business, as well as the time and cost to complete these procedures and the paid-in minimum capital requirement (figure 7.1). These procedures include the processes entrepreneurs undergo when obtaining all necessary approvals,

licenses and permits and completing any required notifications, verifications or inscriptions for the company and employees with relevant authorities.

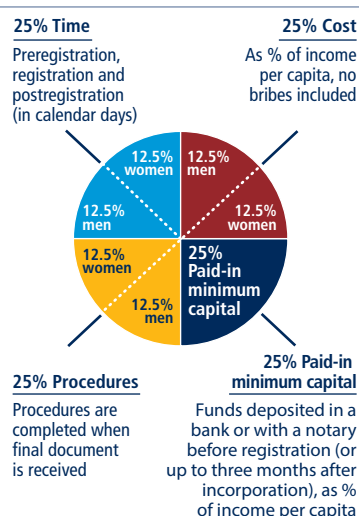
The ranking of locations on the ease of starting a business is determined by sorting their distance to frontier scores for starting a business. These scores are the simple average of the distance to frontier scores for each of the component indicators (figure 7.2). The distance to frontier score shows the distance of an economy or location to the "frontier," which is derived from the most efficient practice or highest score achieved on each indicator.

**FIGURE 7.1** What are the time, cost, paid-in minimum capital and number of procedures to get a local limited liability company up and running?



**FIGURE 7.2 Starting a business: getting a local limited liability company up and running**

*Rankings are based on distance to frontier scores for four indicators*



Two types of local liability companies are considered under the starting a business methodology. They are identical in all aspects, except that one company is owned by five married women and the other by five married men. The distance to frontier score for each indicator is the average of the scores obtained for each of the component indicators for both of these standardized companies.

After a study of laws, regulations and publicly available information on business entry, a detailed list of procedures is developed, along with the time and cost to comply with each procedure under normal circumstances and the paid-in minimum capital requirement. Subsequently, local incorporation lawyers, notaries and government officials complete and verify the data.

Information is also collected on the sequence in which procedures are to be completed and whether procedures may be carried out simultaneously. It is assumed that any required information is readily available and that the entrepreneur will pay no bribes. If answers by local experts differ, inquiries continue until the data are reconciled.

To make the data comparable across locations, several assumptions about the business and the procedures are used.

### Assumptions about the businesses

The business:

- Is a limited liability company (or its legal equivalent).
- Operates in the selected location
- Is 100% domestically owned and has five owners, none of whom is a legal entity.
- Has start-up capital of 10 times income per capita.
- Performs general industrial or commercial activities, such as the production or sale to the public of products or services. The business does not perform foreign trade activities and does not handle products subject to a special tax regime, for example, liquor or tobacco. It is not using heavily polluting production processes.
- Leases the commercial plant or offices and is not a proprietor of real estate. The amount of the annual lease for the office space is equivalent to 1 times income per capita. The size of the entire office space is approximately 929 meters (10,000 square feet).
- Does not qualify for investment incentives or any special benefits.
- Has at least 10 and up to 50 employees one month after the commencement of operations, all of them domestic nationals.
- Has a turnover of at least 100 times income per capita.
- Has a company deed 10 pages long.

The owners:

- Have reached the legal age of majority and are capable of making decisions as an adult. If there is no legal age of majority, they are assumed to be 30 years old.
- Are sane, competent and in good health and have no criminal record.
- Are married, and their marriages are monogamous and registered with the authorities.

### Procedures

A procedure is defined as any interaction of the company founders with external parties (for example, government agencies, lawyers, auditors or notaries) or spouses (if legally required). Interactions between company founders or company officers and employees are not counted as procedures. Procedures that must be completed in the same building but in different offices or at different counters are counted as separate procedures. If founders have to visit the same office several times for different sequential procedures, each is counted separately. The founders are assumed to complete all procedures themselves, without middlemen, facilitators, accountants or lawyers, unless the use of such a third party is mandated by law or solicited by the majority of entrepreneurs. If the services of professionals are required, procedures conducted by such professionals on behalf of the company are counted as separate procedures. Each electronic procedure is counted as a separate procedure. Obtaining approval from a spouse to own a business or leave the home is considered a procedure if it is required by law or if by failing to do so an individual will suffer consequences under the law, such as the loss of rights to financial maintenance. Documents or permissions required for only one gender for registering and operating a company, opening a bank account or obtaining a national identification card are considered additional procedures.

Both pre- and postincorporation procedures that are officially required or commonly done in practice for an entrepreneur to formally operate a business are recorded (table 7.1). Any interaction with an external party within three months of registration is considered a procedure, except value added tax or goods and services tax registration, which is counted whenever the assumed turnover exceeds the determined threshold.

Procedures required for official correspondence or transactions with public

**TABLE 7.1 What do the starting a business indicators measure?****Procedures to legally start and formally operate a company (number)**

Preregistration (for example, name verification or reservation, notarization)

Registration in the selected location

Postregistration (for example, social security registration, company seal)

Obtaining approval from spouse to start a business, to leave the home to register the company, or to open a bank account

Obtaining any gender-specific document for company registration and operation, national identification card or opening a bank account

**Time required to complete each procedure (calendar days)**

Does not include time spent gathering information

Each procedure starts on a separate day (two procedures cannot start on the same day)—though procedures that can be fully completed online are an exception to this rule

Registration process considered completed once final incorporation document is received or company can officially start operating

No prior contact with officials takes place

**Cost required to complete each procedure (% of income per capita)**

Official costs only, no bribes

No professional fees unless services required by law or commonly used in practice

**Paid-in minimum capital (% of income per capita)**

Funds deposited in a bank or with a notary before registration (or up to three months after incorporation)

agencies are also included. For example, if a company seal or stamp is required on official documents, such as tax declarations, obtaining the seal or stamp is counted. Similarly, if a company must open a bank account in order to complete any subsequent procedure—such as registering for value added tax or showing proof of minimum capital deposit—this transaction is included as a procedure. Shortcuts are counted only if they fulfill four criteria: they are legal, they are available to the general public, they are used by the majority of companies, and avoiding them causes delays.

Only procedures required of all businesses are covered. Industry-specific

procedures are excluded. For example, procedures to comply with environmental regulations are included only when they apply to all businesses conducting general commercial or industrial activities. Procedures that the company undergoes to connect to electricity, water, gas and waste disposal services are not included in the starting a business indicators.

**Time**

Time is recorded in calendar days. The measure captures the median duration that incorporation lawyers or notaries indicate is necessary in practice to complete a procedure with minimum follow-up with government agencies and no unofficial payments. It is assumed that the minimum time required for each procedure is one day, except for procedures that can be fully completed online, for which the time required is recorded as half a day. Although procedures may take place simultaneously, they cannot start on the same day (that is, simultaneous procedures start on consecutive days), again with the exception of procedures that can be fully completed online. A registration process is considered completed once the company has received the final incorporation document or can officially commence business operations. If a procedure can be accelerated legally for an additional cost, the fastest procedure is chosen if that option is more beneficial to the province's ranking. For obtaining a spouse's approval, it is assumed that permission is granted at no additional cost unless the permission needs to be notarized. It is assumed that the entrepreneur does not waste time and commits to completing each remaining procedure without delay. The time that the entrepreneur spends on gathering information is ignored. It is assumed that the entrepreneur is aware of all entry requirements and their sequence from the beginning but has had no prior contact with any of the officials involved.

**Cost**

Cost is recorded as a percentage of the economy's income per capita. It

includes all official fees and fees for legal or professional services if such services are required by law or commonly used in practice. Fees for purchasing and legalizing company books are included if these transactions are required by law. Although value added tax registration can be counted as a separate procedure, value added tax is not part of the incorporation cost. The company law, the commercial code, and specific regulations and fee schedules are used as sources for calculating costs. In the absence of fee schedules, a government officer's estimate is taken as an official source. In the absence of a government officer's estimate, estimates by incorporation lawyers are used. If several incorporation lawyers provide different estimates, the median reported value is applied. In all cases the cost excludes bribes.

**Paid-in minimum capital**

The paid-in minimum capital requirement reflects the amount that the entrepreneur needs to deposit in a bank or with a notary before registration or up to three months after incorporation and is recorded as a percentage of the economy's income per capita. The amount is typically specified in the commercial code or the company law. Many economies require minimum capital but allow businesses to pay only a part of it before registration, with the rest to be paid after the first year of operation. In Turkey in June 2015, for example, the minimum capital requirement was 10,000 Turkish liras, of which one-fourth needed to be paid before registration. The paid-in minimum capital recorded for Turkey is therefore 2,500 Turkish liras, or 10.2% of income per capita.

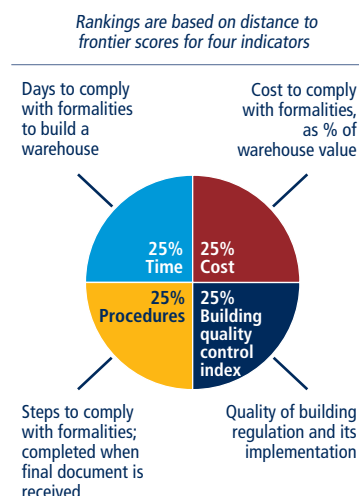
*The data details on starting a business can be found at <http://www.doingbusiness.org>. This methodology was developed by Simeon Djankov, Rafael La Porta, Florencio López-de-Silanes and Andrei Shleifer ("The Regulation of Entry," Quarterly Journal of Economics 117, no. 1 [2002]: 1–37) and is adopted here with minor changes.*

## DEALING WITH CONSTRUCTION PERMITS

*Doing Business* records all procedures required for a business in the construction industry to build a warehouse along with the time and cost to complete each procedure. In addition, *Doing Business* measures the building quality control index, evaluating the quality of building regulations, the strength of quality control and safety mechanisms, liability and insurance regimes, and professional certification requirements. Information is collected through a questionnaire administered to experts in construction licensing, including architects, civil engineers, construction lawyers, construction firms, utility service providers and public officials who deal with building regulations, including approvals, permit issuance and inspections.

The ranking of locations on the ease of dealing with construction permits is determined by sorting their distance to frontier scores for dealing with construction permits. These scores are the simple average of the distance to frontier scores for each of the component indicators (figure 7.3).

**FIGURE 7.3** Dealing with construction permits: efficiency and quality of building regulation



## EFFICIENCY OF CONSTRUCTION PERMITTING

*Doing Business* divides the process of building a warehouse into distinct procedures in the questionnaire and solicits data for calculating the time and cost to complete each procedure (figure 7.4). These procedures include but are not limited to:

- Obtaining and submitting all relevant project-specific documents (for example, building plans, site maps and certificates of urbanism) to the authorities.
- Hiring external third-party supervisors, engineers or inspectors (if necessary).
- Obtaining all necessary clearances, licenses, permits and certificates
- Submitting all required notifications.
- Requesting and receiving all necessary inspections (unless completed by a private, third-party inspector).

*Doing Business* also records procedures for obtaining connections for water and sewerage. Procedures necessary to register the warehouse so that it can be used as collateral or transferred to another entity are also counted.

To make the data comparable across locations, several assumptions about the construction company, the warehouse project and the utility connections are used.

## Assumptions about the construction company

The construction company (BuildCo):

- Is a limited liability company (or its legal equivalent).
- Operates in the selected location.
- Is 100% domestically and privately owned.
- Has five owners, none of whom is a legal entity.
- Is fully licensed and insured to carry out construction projects, such as building warehouses.
- Has 60 builders and other employees, all of them nationals with the technical expertise and professional experience

necessary to obtain construction permits and approvals.

- Has a licensed architect and a licensed engineer both registered with the local association of architects or engineers. BuildCo is not assumed to have any other employees who are technical or licensed experts, such as geological or topographical experts.
- Has paid all taxes and taken out all necessary insurance applicable to its general business activity (for example, accidental insurance for construction workers and third-person liability).
- Owns the land on which the warehouse will be built and will sell the warehouse upon its completion.

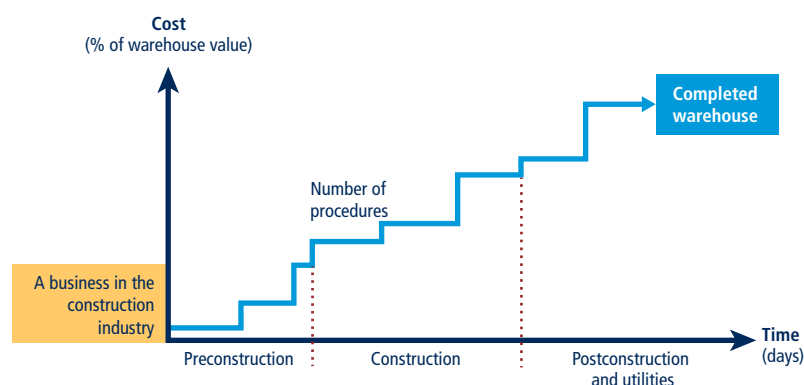
## Assumptions about the warehouse

The warehouse:

- Will be used for general storage activities, such as storage of books or stationery. The warehouse will not be used for any goods requiring special conditions, such as food, chemicals or pharmaceuticals.
- Will have two stories, both above ground, with a total constructed area of approximately 1,300.6 square meters (14,000 square feet). Each floor will be 3 meters (9 feet, 10 inches) high.
- Will have road access and be located in the periurban area of the selected location (that is, on the fringes of the location but still within its official limits).
- Will not be located in a special economic or industrial zone.
- Will be located on a land plot of approximately 929 square meters (10,000 square feet) that is 100% owned by BuildCo and is accurately registered in the cadastre and land registry.
- Is valued at 50 times income per capita.
- Will be a new construction (there was no previous construction on the land), with no trees, natural water sources, natural reserves or historical monuments of any kind on the plot.



**FIGURE 7.4** What are the time, cost and number of procedures to comply with formalities to build a warehouse?



- Will have complete architectural and technical plans prepared by a licensed architect. If preparation of the plans requires such steps as obtaining further documentation or getting prior approvals from external agencies, these are counted as procedures.
- Will include all technical equipment required to be fully operational.
- Will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements).

### Assumptions about the utility connections

The water and sewerage connections:

- Will be 150 meters (492 feet) from the existing water source and sewer tap. If there is no water delivery infrastructure in the location, a borehole will be dug. If there is no sewerage infrastructure, a septic tank in the smallest size available will be installed or built.
- Will not require water for fire protection reasons; a fire extinguishing system (dry system) will be used instead. If a wet fire protection system is required by law, it is assumed that the water demand specified below also covers the water needed for fire protection.
- Will have an average water use of 662 liters (175 gallons) a day and an average wastewater flow of 568 liters (150 gallons) a day. Will have a peak water use of 1,325 liters (350 gallons) a day and a peak wastewater flow of 1,136 liters (300 gallons) a day.
- Will have a constant level of water demand and wastewater flow throughout the year.
- Will be 1 inch in diameter for the water connection and 4 inches in diameter for the sewerage connection.

### Procedures

A procedure is any interaction of the company's employees or managers, or any party acting on behalf of the company, with external parties, including government agencies, notaries, the land registry, the cadastre, utility companies and public inspectors—and the hiring of external private inspectors and technical experts where needed. Interactions between company employees, such as development of the warehouse plans and inspections conducted by employees, are not counted as procedures. However, interactions with external parties that are required for the architect to prepare the plans and drawings (such as obtaining topographic or geological surveys), or to have such documents approved or stamped by external parties, are counted as procedures. Procedures that the company undergoes to connect the warehouse to water and sewerage are included. All procedures

that are legally required, or that are done in practice by the majority of companies, to build a warehouse are counted, even if they may be avoided in exceptional cases. This includes obtaining technical conditions for electricity or clearance of the electrical plans only if they are required to obtain a building permit (table 7.2).

### Time

Time is recorded in calendar days. The measure captures the median duration that local experts indicate is necessary to complete a procedure in practice. It is assumed that the minimum time required for each procedure is one day, except for procedures that can be fully completed online, for which the time required is recorded as half a day. Although procedures may take place simultaneously, they cannot start on the same day (that is, simultaneous procedures start on consecutive days), again with the exception of procedures that can be fully completed online. If a procedure can be accelerated legally for an additional cost and

**TABLE 7.2** What do the indicators on the efficiency of construction permitting measure?

Procedures to legally build a warehouse (number)
Submitting all relevant documents and obtaining all necessary clearances, licenses, permits and certificates
Submitting all required notifications and receiving all necessary inspections
Obtaining utility connections for water and sewerage
Registering the warehouse after its completion (if required for use as collateral or for transfer of the warehouse)
Time required to complete each procedure (calendar days)
Does not include time spent gathering information
Each procedure starts on a separate day—though procedures that can be fully completed online are an exception to this rule
Procedure considered completed once final document is received
No prior contact with officials
Cost required to complete each procedure (% of warehouse value)
Official costs only, no bribes

the accelerated procedure is used by the majority of companies, the fastest procedure is chosen. It is assumed that BuildCo does not waste time and commits to completing each remaining procedure without delay. The time that BuildCo spends on gathering information is not taken into account. It is assumed that BuildCo is aware of all building requirements and their sequence from the beginning.

### Cost

Cost is recorded as a percentage of the warehouse value (assumed to be 50 times income per capita). Only official costs are recorded. All the fees associated with completing the procedures to legally build a warehouse are recorded, including those associated with obtaining land use approvals and preconstruction design clearances; receiving inspections before, during and after construction; obtaining utility connections; and registering the warehouse property. Nonrecurring taxes required for the completion of the warehouse project are also recorded. Sales taxes (such as value added tax) or capital gains taxes are not recorded. Nor are deposits that must be paid up front and are later refunded. The building code, information from local experts, and specific regulations and fee schedules are used as sources for costs. If several local partners provide different estimates, the median reported value is used.

## BUILDING QUALITY CONTROL

The building quality control index is based on six other indices—the quality of building regulations, quality control before construction, quality control during construction, quality control after construction, liability and insurance regimes, and professional certifications indices (table 7.3). The indicator is based on the same case study assumptions as the measures of efficiency.

### Quality of building regulations index

The quality of building regulations index has two components:

- Whether building regulations are easily accessible. A score of 1 is assigned

if any building regulations (including the building code) or any regulations dealing with construction permits are available on a website that is updated as soon as the regulations change; 0.5 if the building regulations are available free of charge (or for a nominal fee) at the relevant permit-issuing authority; 0 if the building regulations are distributed to building professionals through an official gazette free of charge (or for a nominal fee), if they must be purchased or if they are not made easily accessible anywhere.

- Whether the requirements for obtaining a building permit are clearly specified. A score of 1 is assigned if the building regulations (including the building code) or any accessible website, brochure or pamphlet clearly specifies the list of required documents to submit, the fees to be paid and all required preapprovals of the drawings or plans by the relevant agencies; 0 if none of these sources specify any of these requirements or if these sources specify fewer than the three requirements mentioned above.

The index ranges from 0 to 2, with higher values indicating clearer and more transparent building regulations. In the United Kingdom, for example, all relevant legislation can be found on an official government website (a score of 1). The legislation specifies the list of required documents to submit, the fees to be paid and all required preapprovals of the drawings or plans by the relevant agencies (a score of 1). Adding these numbers gives the United Kingdom a score of 2 on the quality of building regulations index.

### Quality control before construction index

The quality control before construction index has one component:

- Whether by law a licensed architect or licensed engineer is part of the committee or team that reviews and approves building permit applications and whether that person has the authority to refuse an application. A

**TABLE 7.3** What do the indicators on building quality control measure?

<b>Quality of building regulations index (0–2)</b>
Accessibility of building regulations
Clarity of requirements for obtaining a building permit
<b>Quality control before construction index (0–1)</b>
Whether licensed or technical experts approve building plans
<b>Quality control during construction index (0–3)</b>
Types of inspections legally mandated during construction
Implementation of legally mandated inspections in practice
<b>Quality control after construction index (0–3)</b>
Final inspection legally mandated after construction
Implementation of legally mandated final inspection in practice
<b>Liability and insurance regimes index (0–2)</b>
Parties held legally liable for structural flaws after building occupancy
Parties legally mandated to obtain insurance to cover structural flaws after building occupancy or insurance commonly obtained in practice
<b>Professional certifications index (0–4)</b>
Qualification requirements for individual who approves building plans
Qualification requirements for individual who supervises construction or conducts inspections
<b>Building quality control index (0–15)</b>
Sum of the quality of building regulations, quality control before construction, quality control during construction, quality control after construction, liability and insurance regimes, and professional certifications indices

score of 1 is assigned if the national association of architects or engineers (or its equivalent) must review the building plans, if an independent firm or expert who is a licensed architect or engineer must review the plans, if the architect or engineer who prepared the plans must submit an attestation to the permit-issuing authority stating that the plans are in compliance with the building regulations or if a licensed architect or engineer is part of the committee or team that approves the plans at the relevant permit-issuing authority; 0 if no licensed architect or

engineer is involved in the review of the plans to ensure their compliance with building regulations.

The index ranges from 0 to 1, with higher values indicating better quality control in the review of the building plans. In Rwanda, for example, the City Hall in Kigali must review the building permit application, including the plans and drawings, and both a licensed architect and a licensed engineer are part of the team that reviews the plans and drawings. Rwanda therefore receives a score of 1 on the quality control before construction index.

### Quality control during construction index

The quality control during construction index has two components:

- Whether inspections are mandated by law during the construction process. A score of 2 is assigned if an in-house supervising engineer (for example, an employee of the building company), an external supervising engineer or a government agency is legally mandated to conduct risk-based inspections. A score of 1 is assigned if an in-house supervising engineer (that is, an employee of the building company), an external supervising engineer or an external inspections firm is legally mandated to conduct technical inspections at different stages during the construction of the building or if a government agency is legally mandated to conduct only technical inspections at different stages during the construction. A score of 0 is assigned if a government agency is legally mandated to conduct unscheduled inspections, or if no technical inspections are mandated by law.
- Whether inspections during construction are implemented in practice. A score of 1 is assigned if the legally mandated inspections during construction always occur in practice; 0 if the legally mandated inspections do not occur in practice, if the inspections

occur most of the time but not always or if inspections are not mandated by law regardless of whether or not they commonly occur in practice.

The index ranges from 0 to 3, with higher values indicating better quality control during the construction process. In Antigua and Barbuda, for example, the Development Control Authority is legally mandated to conduct phased inspections under the Physical Planning Act of 2003 (a score of 1). However, the Development Control Authority rarely conducts these inspections in practice (a score of 0). Adding these numbers gives Antigua and Barbuda a score of 1 on the quality control during construction index.

### Quality control after construction index

The quality control after construction index has two components:

- Whether a final inspection is mandated by law in order to verify that the building was built in accordance with the approved plans and existing building regulations. A score of 2 is assigned if an in-house supervising engineer (that is, an employee of the building company), an external supervising engineer or an external inspections firm is legally mandated to verify that the building has been built in accordance with the approved plans and existing building regulations or if a government agency is legally mandated to conduct a final inspection upon completion of the building; 0 if no final inspection is mandated by law after construction and no third party is required to verify that the building has been built in accordance with the approved plans and existing building regulations.
- Whether the final inspection is implemented in practice. A score of 1 is assigned if the legally mandated final inspection after construction always occurs in practice or if a supervising engineer or firm attests that the building has been built in accordance with the approved plans and existing

building regulations; 0 if the legally mandated final inspection does not occur in practice, if the legally mandated final inspection occurs most of the time but not always or if a final inspection is not mandated by law regardless of whether or not it commonly occurs in practice.

The index ranges from 0 to 3, with higher values indicating better quality control after the construction process. In Haiti, for example, the Municipality of Port-au-Prince is legally mandated to conduct a final inspection under the national Building Code of 2012 (a score of 2). However, most of the time the final inspection does not occur in practice (a score of 0). Adding these numbers gives Haiti a score of 2 on the quality control after construction index.

### Liability and insurance regimes index

The liability and insurance regimes index has two components:

- Whether any parties involved in the construction process are held legally liable for latent defects such as structural flaws or problems in the building once it is in use. A score of 1 is assigned if at least two of the following parties are held legally liable for structural flaws or problems in the building once it is in use: the architect or engineer who designed the plans for the building, the professional in charge of supervising the construction, the professional or agency that conducted the inspections or the construction company; 0.5 if one of the parties is held legally liable for structural flaws or problems in the building once it is occupied; 0 if no party is held legally liable for structural flaws or problems in the building once it is in use, if the project owner or investor is the only party held liable, if the liability is determined in the court or if liability is stipulated in a contract.
- Whether any parties involved in the construction process is legally required to obtain a latent defect

liability—or decennial (10-year) liability—insurance policy to cover possible structural flaws or problems in the building once it is in use. A score of 1 is assigned if the architect or engineer who designed the plans for the building, the professional or agency that conducted the technical inspections, the construction company, or the project owner or investor is required by law to obtain either a decennial liability insurance or a latent defect liability insurance policy to cover possible structural flaws or problems in the building once it is in use or if a decennial liability insurance or latent defect liability insurance policy is commonly obtained in practice by the majority of any of these parties even if not required by law; a score of 0 is assigned if no party is required by law to obtain either a decennial liability insurance or a latent defect liability insurance policy and such insurance is not commonly obtained in practice by any party, if the requirement to obtain an insurance policy is stipulated in a contract, if any party must obtain a professional insurance policy to cover the safety of workers or any other defects during construction but not a decennial liability insurance or latent defect liability insurance policy that would cover defects after the building is in use, or if any party is required to pay for any damages caused on their own without having to obtain an insurance policy.

The index ranges from 0 to 2, with higher values indicating more stringent latent defect liability and insurance regimes. In Madagascar, for example, under article 1792 of the Civil Code both the architect who designed the plans and the construction company are held legally liable for latent defects for a period of 10 years after the completion of the building (a score of 1). However, there is no legal requirement for any party to obtain a decennial liability insurance policy to cover structural defects, nor do most parties obtain such insurance in practice (a

score of 0). Adding these numbers gives Madagascar a score of 1 on the liability and insurance regimes index.

### Professional certifications index

The professional certifications index has two components:

- The qualification requirements for the professional responsible for verifying that the architectural plans or drawings are in compliance with the building regulations. A score of 2 is assigned if this professional must have a minimum number of years of practical experience, must have a university degree (a minimum of a bachelor's) in architecture or engineering and must also either be a registered member of the national order (association) of architects or engineers or pass a qualification exam. A score of 1 is assigned if the professional must have a university degree (a minimum of a bachelor's) in architecture or engineering and must also *either* have a minimum number of years of practical experience *or* be a registered member of the national order (association) of architects or engineers or pass a qualification exam. A score of 0 is assigned if the professional must meet only one of the requirements, if the professional must meet two of the requirements but neither of the two is to have a university degree, or if the professional is subject to no qualification requirements.
- The qualification requirements for the professional who conducts the technical inspections during construction. A score of 2 is assigned if this professional must have a minimum number of years of practical experience, must have a university degree (a minimum of a bachelor's) in architecture or engineering and must also either be a registered member of the national order of engineers or pass a qualification exam. A score of 1 is assigned if the professional must have a university degree (a minimum of a bachelor's) in architecture or engineering and must also *either* have a minimum number

of years of practical experience *or* be a registered member of the national order (association) of engineers or pass a qualification exam. A score of 0 is assigned if the professional must meet only one of the requirements, if the professional must meet two of the requirements but neither of the two is to have a university degree, or if the professional is subject to no qualification requirements.

The index ranges from 0 to 4, with higher values indicating greater professional certification requirements. In Cambodia, for example, the professional responsible for verifying that the architectural plans or drawings are in compliance with the building regulations must have a relevant university degree and must pass a qualification exam (a score of 1). However, the professional supervising construction must only have a university degree (a score of 0). Adding these numbers gives Cambodia a score of 1 on the professional certifications index.

### Building quality control index

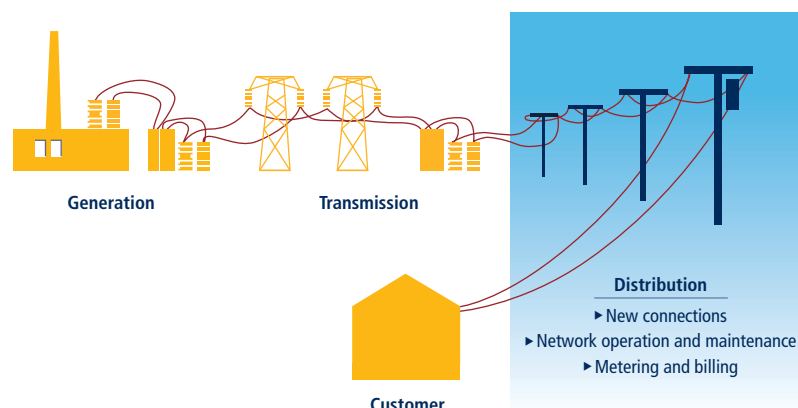
The building quality control index is the sum of the scores on the quality of building regulations, quality control before construction, quality control during construction, quality control after construction, liability and insurance regimes, and professional certifications indices. The index ranges from 0 to 15, with higher values indicating better quality control and safety mechanisms in the construction regulatory system.

*The data details on dealing with construction permits can be at <http://www.doingbusiness.org>.*

## GETTING ELECTRICITY

*Doing Business* records all procedures required for a business to obtain a permanent electricity connection and supply for a standardized warehouse (figure 7.5). These procedures include applications and contracts with electricity utilities,

**FIGURE 7.5** *Doing Business* measures the connection process at the level of distribution utilities



all necessary inspections and clearances from the distribution utility and other agencies, and the external and final connection works. The questionnaire divides the process of getting an electricity connection into distinct procedures and solicits data for calculating the time and cost to complete each procedure.

In addition, *Doing Business* measures the reliability of supply and transparency of tariffs index (included in the aggregate distance to frontier score and ranking on the ease of doing business) and the price of electricity (omitted from these aggregate measures). The reliability of supply and transparency of tariffs index encompasses quantitative data on the duration and frequency of power outages as well as qualitative information on the mechanisms put in place by the utility for monitoring power outages and restoring power supply, the reporting relationship between the utility and the regulator for power outages, the transparency and accessibility of tariffs and whether the utility faces a financial deterrent aimed at limiting outages (such as a requirement to compensate customers or pay fines when outages exceed a certain cap).

The ranking of locations on the ease of getting electricity is determined by sorting their distance to frontier scores for getting electricity. These scores are the

simple average of the distance to frontier scores for all the component indicators except the price of electricity (figure 7.6).

Data on reliability of supply are collected from the electricity distribution utilities or regulators, depending on the specific technical nature of the data. The rest of the data, including data on the transparency of tariffs and the procedures for obtaining an electricity connection, are collected from all market players—the electricity distribution utility, electricity regulatory agencies and independent professionals such as electrical engineers, electrical contractors and construction companies. The electricity distribution utility consulted is the one serving the area (or areas) where warehouses are located. If there is a choice of distribution utilities, the one serving the largest number of customers is selected.

To make the data comparable across locations, several assumptions about the warehouse, the electricity connection and the monthly consumption are used.

### Assumptions about the warehouse

The warehouse:

- Is owned by a local entrepreneur.
- Is located in the selected location.
- Is located in an area where similar warehouses are typically located. In

this area a new electricity connection is not eligible for a special investment promotion regime (offering special subsidization or faster service, for example).

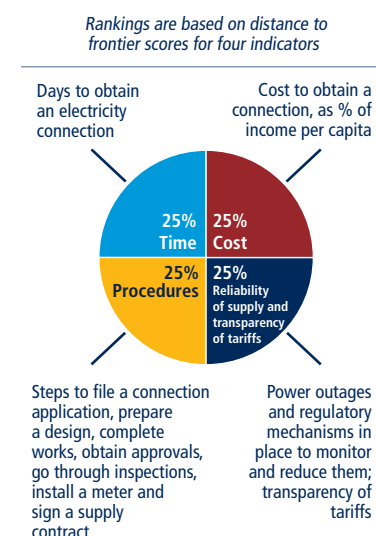
- Is located in an area with no physical constraints. For example, the property is not near a railway.
- Is a new construction and is being connected to electricity for the first time.
- Has two stories, both above ground, with a total surface area of approximately 1,300.6 square meters (14,000 square feet). The plot of land on which it is built is 929 square meters (10,000 square feet).
- Is used for storage of goods.

### Assumptions about the electricity connection

The electricity connection:

- Is a permanent one.
- Is a three-phase, four-wire Y connection with a subscribed capacity of 140 kilovolt-amperes (kVA) with a power factor of 1, when 1 kVA = 1 kilowatt (kW).

**FIGURE 7.6** Getting electricity: efficiency, reliability and transparency



Note: The price of electricity is measured but does not count for the rankings.



- Has a length of 150 meters. The connection is to either the low- or medium-voltage distribution network and is either overhead or underground, whichever is more common in the area where the warehouse is located.
- Requires works that involve the crossing of a 10-meter-wide road (by excavation or overhead lines) but are all carried out on public land. There is no crossing of other owners' private property because the warehouse has access to a road.
- Includes only negligible length in the customer's private domain.
- Does not require work to install the internal wiring of the warehouse. This has already been completed up to and including the customer's service panel or switchboard and the meter base.

### Assumptions about the monthly consumption for March

- It is assumed that the warehouse operates 30 days a month from 9:00 a.m. to 5:00 p.m. (8 hours a day), with equipment utilized at 80% of capacity on average, and that there are no electricity cuts (assumed for simplicity reasons).
- The monthly energy consumption is 26,880 kilowatt-hours (kWh); hourly consumption is 112 kWh.
- If multiple electricity suppliers exist, the warehouse is served by the cheapest supplier.
- Tariffs effective in March of the current year are used for calculation of the price of electricity for the warehouse. Although March has 31 days, for calculation purposes only 30 days are used.

### Procedures

A procedure is defined as any interaction of the company's employees or its main electrician or electrical engineer (that is, the one who may have done the internal wiring) with external parties, such as the electricity distribution utility, electricity supply utilities, government agencies, electrical contractors and electrical firms. Interactions between

company employees and steps related to the internal electrical wiring, such as the design and execution of the internal electrical installation plans, are not counted as procedures. Procedures that must be completed with the same utility but with different departments are counted as separate procedures (table 7.4).

The company's employees are assumed to complete all procedures themselves unless the use of a third party is mandated (for example, if only an electrician registered with the utility is allowed to submit an application). If the company can, but is not required to, request the services of professionals (such as a private firm rather than the utility for the external works), these procedures are recorded if they are commonly done. For all procedures, only the most likely cases (for example, more than 50% of the time the utility has the material) and those followed in practice for connecting a warehouse to electricity are counted.

### Time

Time is recorded in calendar days. The measure captures the median duration that the electricity utility and experts indicate is necessary in practice, rather than required by law, to complete a procedure with minimum follow-up and no extra payments. It is assumed that the minimum time required for each procedure is one day. Although procedures may take place simultaneously, they cannot start on the same day (that is, simultaneous procedures start on consecutive days). It is assumed that the company does not waste time and commits to completing each remaining procedure without delay. The time that the company spends on gathering information is not taken into account. It is assumed that the company is aware of all electricity connection requirements and their sequence from the beginning.

### Cost

Cost is recorded as a percentage of the economy's income per capita. Costs are

**TABLE 7.4** What do the getting electricity indicators measure?

Procedures to obtain an electricity connection (number)
Submitting all relevant documents and obtaining all necessary clearances and permits
Completing all required notifications and receiving all necessary inspections
Obtaining external installation works and possibly purchasing material for these works
Concluding any necessary supply contract and obtaining final supply
Time required to complete each procedure (calendar days)
Is at least one calendar day
Each procedure starts on a separate day
Does not include time spent gathering information
Reflects the time spent in practice, with little follow-up and no prior contact with officials
Cost required to complete each procedure (% of income per capita)
Official costs only, no bribes
Value added tax excluded
Reliability of supply and transparency of tariffs index (0–8)
Duration and frequency of power outages
Tools to monitor power outages
Tools to restore power supply
Regulatory monitoring of utilities' performance
Financial deterrents aimed at limiting outages
Transparency and accessibility of tariffs
Price of electricity (cents per kilowatt-hour)
Price based on monthly bill for commercial warehouse in case study

*Note:* While *Doing Business* measures the price of electricity, it does not include these data when calculating the distance to frontier score for getting electricity or the ranking on the ease of getting electricity.

recorded exclusive of value added tax. All the fees and costs associated with completing the procedures to connect a warehouse to electricity are recorded, including those related to obtaining clearances from government agencies, applying for the connection, receiving inspections of both the site and the internal wiring, purchasing material, getting the actual connection works and paying a security deposit. Information from local experts and specific regulations and fee schedules are used as

sources for costs. If several local partners provide different estimates, the median reported value is used. In all cases the cost excludes bribes.

### Security deposit

Utilities may require security deposits as a guarantee against the possible failure of customers to pay their consumption bills. For this reason the security deposit for a new customer is most often calculated as a function of the customer's estimated consumption.

*Doing Business* does not record the full amount of the security deposit. If the deposit is based on the customer's actual consumption, this basis is the one assumed in the case study. Rather than the full amount of the security deposit, *Doing Business* records the present value of the losses in interest earnings experienced by the customer because the utility holds the security deposit over a prolonged period, in most cases until the end of the contract (assumed to be after five years). In cases where the security deposit is used to cover the first monthly consumption bills, it is not recorded. To calculate the present value of the lost interest earnings, the end-2015 lending rates from the International Monetary Fund's *International Financial Statistics* are used. In cases where the security deposit is returned with interest, the difference between the lending rate and the interest paid by the utility is used to calculate the present value.

In some economies the security deposit can be put up in the form of a bond: the company can obtain from a bank or an insurance company a guarantee issued on the assets it holds with that financial institution. In contrast to the scenario in which the customer pays the deposit in cash to the utility, in this scenario the company does not lose ownership control over the full amount and can continue using it. In return the company will pay the bank a commission for obtaining the bond. The commission

charged may vary depending on the credit standing of the company. The best possible credit standing and thus the lowest possible commission are assumed. Where a bond can be put up, the value recorded for the deposit is the annual commission times the five years assumed to be the length of the contract. If both options exist, the cheaper alternative is recorded.

In Honduras in June 2015 a customer requesting a 140-kVA electricity connection would have had to put up a security deposit of 126,894 Honduran lempiras (US\$5,616) in cash or check, and the deposit would have been returned only at the end of the contract. The customer could instead have invested this money at the prevailing lending rate of 20.66%. Over the five years of the contract this would imply a present value of lost interest earnings of 77,272.68 lempiras (US\$3,420). In contrast, if the customer chose to settle the deposit with a bank guarantee at an annual rate of 2.5%, the amount lost over the five years would be just 15,861.75 lempiras (US\$702).

### Reliability of supply and transparency of tariffs index

*Doing Business* uses the system average interruption duration index (SAIDI) and the system average interruption frequency index (SAIFI) to measure the duration and frequency of power outages in each of the selected locations. SAIDI is the average total duration of outages over the course of a year for each customer served, while SAIFI is the average number of service interruptions experienced by a customer in a year. Annual data (covering the calendar year) are collected from distribution utility companies and national regulators on SAIDI and SAIFI. Both SAIDI and SAIFI estimates include load shedding.

A location is eligible to obtain a score on the reliability of supply and transparency of tariffs index if the utility collects data on electricity outages (measuring the average total duration of outages per

customer and the average number of outages per customer) and the SAIDI value is below a threshold of 100 hours and the SAIFI value below a threshold of 100 outages.

Because the focus is on measuring the reliability of the electricity supply, a location is not eligible to obtain a score if outages are too frequent or long-lasting for the electricity supply to be considered reliable—that is, if the SAIDI value exceeds the threshold of 100 hours or the SAIFI value exceeds the threshold of 100 outages.<sup>2</sup> A location is also not eligible to obtain a score on the index if data on power outages are not collected.

For all locations that meet the criteria as determined by *Doing Business*, a score on the reliability of supply and transparency of tariffs index is calculated on the basis of the following six components:

- What the SAIDI and SAIFI values are. If SAIDI and SAIFI are 12 (equivalent to an outage of one hour each month) or below, a score of 1 is assigned. If SAIDI and SAIFI are 4 (equivalent to an outage of one hour each quarter) or below, 1 additional point is assigned. Finally, if SAIDI and SAIFI are 1 (equivalent to an outage of one hour per year) or below, 1 more point is assigned.
- What tools are used by the distribution utility to monitor power outages. A score of 1 is assigned if the utility uses automated tools, such as the supervisory control and data acquisition (SCADA) system; 0 if it relies solely on calls from customers and records and monitors outages manually.
- What tools are used by the distribution utility to restore power supply. A score of 1 is assigned if the utility uses automated tools, such as the SCADA system; 0 if it relies solely on manual resources for service restoration, such as field crews or maintenance personnel.
- Whether a regulator—that is, an entity separate from the utility—monitors

the utility's performance on reliability of supply. A score of 1 is assigned if the regulator performs periodic or real-time reviews; 0 if it does not monitor power outages and does not require the utility to report on reliability of supply.

- Whether financial deterrents exist to limit outages. A score of 1 is assigned if the utility compensates customers when outages exceed a certain cap, if the utility is fined by the regulator when outages exceed a certain cap or if both these conditions are met; 0 if no compensation mechanism of any kind is available.
- Whether electricity tariffs are transparent and easily available. A score of 1 is assigned if effective tariffs are available online and customers are notified of a change in tariff a full billing cycle (that is, one month) ahead of time; 0 if not.

The index ranges from 0 to 8, with higher values indicating greater reliability of electricity supply and greater transparency of tariffs. In the Czech Republic, for example, the distribution utility company PREdistribuce uses SAIDI and SAIFI metrics to monitor and collect data on power outages. In 2015 the average total duration of power outages in Prague was 0.49 hours per customer and the average number of outages experienced by a customer was 0.33. Both SAIDI and SAIFI are below the threshold and indicate that there was less than one outage a year per customer, for a total duration of less than one hour. So the Czech Republic not only meets the eligibility criteria for obtaining a score on the index, it also receives a score of 3 on the first component of the index. The utility uses an automated system (SCADA) to identify faults in the network (a score of 1) and restore electricity service (a score of 1). The national regulator actively reviews the utility's performance in providing reliable electricity service (a score of 1) and requires the utility to compensate customers if outages last longer than a

maximum period defined by the regulator (a score of 1). Customers are notified of a change in tariffs ahead of the next billing cycle and can easily check effective tariffs online (a score of 1). Adding these numbers gives the Czech Republic a score of 8 on the reliability of supply and transparency of tariffs index.

On the other hand, several economies receive a score of 0 on the reliability of supply and transparency of tariffs index. The reason may be that outages occur more than once a month and none of the mechanisms and tools measured by the index are in place. An economy may also receive a score of 0 if either the SAIDI or SAIFI value (or both) exceeds the threshold of 100. For Papua New Guinea, for example, the SAIDI value (211) exceeds the threshold. Based on the criteria established, Papua New Guinea cannot receive a score on the index even though the country has regulatory monitoring of outages and there is a compensation mechanism for customers.

If an economy issued no electricity connections between June 2015 and June 2016, or if electricity is not provided during that period, the economy receives a "no practice" mark on the procedures, time and cost indicators. In addition, a "no practice" economy receives a score of 0 on the reliability of supply and transparency of tariffs index even if the utility has in place automated systems for monitoring and restoring outages, there is regulatory oversight of utilities on power interruptions, and tariffs are publicly available.

### Price of electricity

*Doing Business* measures the price of electricity but does not include these data when calculating the distance to frontier score for getting electricity or the ranking on the ease of getting electricity. (The data are available on the *Doing Business* website, at <http://www.doingbusiness.org>.) The data on electricity prices are based on standardized assumptions to ensure comparability across locations and economies.

The price of electricity is measured in US\$ cents per kilowatt-hour. On the basis of the assumptions about monthly consumption, a monthly bill for a commercial warehouse in each of the selected locations is computed for the month of March. As noted, the warehouse uses electricity 30 days a month, from 9:00 a.m. to 5:00 p.m., so different tariff schedules may apply if a time-of-use tariff is available.

*The data details on getting electricity can be found for each economy at <http://www.doingbusiness.org>. The initial methodology was developed by by Carolin Geginat and Rita Ramalho ("Electricity Connections and Firm Performance in 183 Countries," Global Indicators Group, World Bank Group, Washington, DC, 2015) and is adopted here with minor changes.*

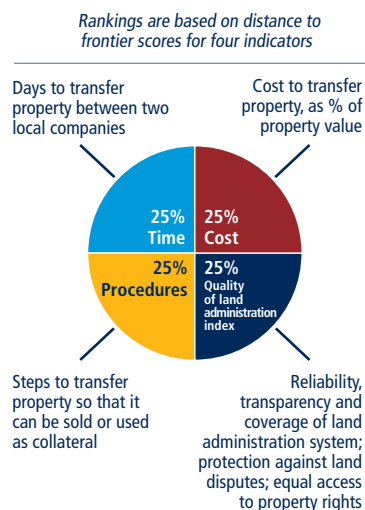
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## REGISTERING PROPERTY

*Doing Business* records the full sequence of procedures necessary for a business (the buyer) to purchase a property from another business (the seller) and to transfer the property title to the buyer's name so that the buyer can use the property for expanding its business, use the property as collateral in taking new loans or, if necessary, sell the property to another business. It also measures the time and cost to complete each of these procedures. In addition, *Doing Business* measures the quality of the land administration system in each economy. The quality of land administration index has five dimensions: reliability of infrastructure, transparency of information, geographic coverage, land dispute resolution and equal access to property rights.

The ranking of locations on the ease of registering property is determined by sorting their distance to frontier scores for registering property. These scores are the simple average of the distance to frontier scores for each of the component indicators (figure 7.7).

**FIGURE 7.7** Registering property: efficiency and quality of land administration system



## EFFICIENCY OF TRANSFERRING PROPERTY

As recorded by *Doing Business*, the process of transferring property starts with obtaining the necessary documents, such as a copy of the seller's title if necessary, and conducting due diligence if required. The transaction is considered complete when it is opposable to third parties and when the buyer can use the property, use it as collateral for a bank loan or resell it (figure 7.8). Every procedure required by law or necessary in practice is included, whether it is the responsibility of the seller or the buyer or must be completed by a third party

on their behalf. Local property lawyers, notaries and property registries provide information on procedures as well as the time and cost to complete each of them.

To make the data comparable across locations, several assumptions about the parties to the transaction, the property and the procedures are used.

### Assumptions about the parties

The parties (buyer and seller):

- Are limited liability companies (or the legal equivalent).
- Are located in the periurban area of the selected location.
- Are 100% domestically and privately owned.
- Have 50 employees each, all of whom are nationals.
- Perform general commercial activities.

### Assumptions about the property

The property:

- Has a value of 50 times income per capita. The sale price equals the value.
- Is fully owned by the seller.
- Has no mortgages attached and has been under the same ownership for the past 10 years.
- Is registered in the land registry or cadastre, or both, and is free of title disputes.
- Is located in a periurban commercial zone, and no rezoning is required.
- Consists of land and a building. The land area is 557.4 square meters

(6,000 square feet). A two-story warehouse of 929 square meters (10,000 square feet) is located on the land. The warehouse is 10 years old, is in good condition and complies with all safety standards, building codes and other legal requirements. It has no heating system. The property of land and building will be transferred in its entirety.

- Will not be subject to renovations or additional building following the purchase.
- Has no trees, natural water sources, natural reserves or historical monuments of any kind.
- Will not be used for special purposes, and no special permits, such as for residential use, industrial plants, waste storage or certain types of agricultural activities, are required.
- Has no occupants, and no other party holds a legal interest in it.

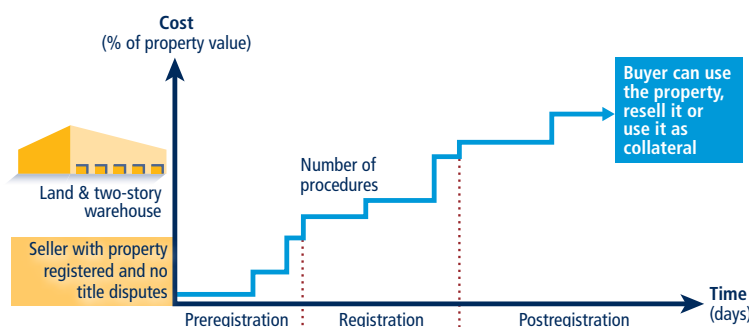
### Procedures

A procedure is defined as any interaction of the buyer or the seller, their agents (if an agent is legally or in practice required) or the property with external parties, including government agencies, inspectors, notaries and lawyers. Interactions between company officers and employees are not considered. All procedures that are legally or in practice required for registering property are recorded, even if they may be avoided in exceptional cases (table 7.5). It is assumed that the buyer follows the fastest legal option available and used by the majority of property owners. Although the buyer may use lawyers or other professionals where necessary in the registration process, it is assumed that the buyer does not employ an outside facilitator in the registration process unless legally or in practice required to do so.

### Time

Time is recorded in calendar days. The measure captures the median duration that property lawyers, notaries or registry officials indicate is necessary to complete a procedure. It is assumed

**FIGURE 7.8** What are the time, cost and number of procedures required to transfer property between two local companies?



**TABLE 7.5** What do the indicators on the efficiency of transferring property measure?**Procedures to legally transfer title on immovable property (number)**

Preregistration procedures (for example, checking for liens, notarizing sales agreement, paying property transfer taxes)

Registration procedures in the selected economy

Postregistration procedures (for example, filing title with municipality)

**Time required to complete each procedure (calendar days)**

Does not include time spent gathering information

Each procedure starts on a separate day—though procedures that can be fully completed online are an exception to this rule

Procedure considered completed once final document is received

No prior contact with officials

**Cost required to complete each procedure (% of property value)**

Official costs only, no bribes

No value added or capital gains taxes included

that the minimum time required for each procedure is one day, except for procedures that can be fully completed online, for which the time required is recorded as half a day. Although procedures may take place simultaneously, they cannot start on the same day, again with the exception of procedures that can be fully completed online. It is assumed that the buyer does not waste time and commits to completing each remaining procedure without delay. If a procedure can be accelerated for an additional cost, the fastest legal procedure available and used by the majority of property owners is chosen. If procedures can be undertaken simultaneously, it is assumed that they are. It is assumed that the parties involved are aware of all requirements and their sequence from the beginning. Time spent on gathering information is not considered.

**Cost**

Cost is recorded as a percentage of the property value, assumed to be equivalent to 50 times income per capita. Only official costs required by law are recorded,

including fees, transfer taxes, stamp duties and any other payment to the property registry, notaries, public agencies or lawyers. Other taxes, such as capital gains tax or value added tax, are excluded from the cost measure. Both costs borne by the buyer and those borne by the seller are included. If cost estimates differ among sources, the median reported value is used.

**QUALITY OF LAND ADMINISTRATION**

The quality of land administration index is composed of five other indices: the reliability of infrastructure, transparency of information, geographic coverage, land dispute resolution and equal access to property rights indices (table 7.6). Data are collected for each of the selected locations.

**Reliability of infrastructure index**

The reliability of infrastructure index has six components:

- How land titles are kept at the registry of the selected location. A score of 2 is assigned if the majority of land titles are fully digital; 1 if the majority are scanned; 0 if the majority are kept in paper format.
- Whether there is an electronic database for checking for encumbrances. A score of 1 is assigned if yes; 0 if no.
- How maps of land plots are kept at the mapping agency of the selected location. A score of 2 is assigned if the majority of maps are fully digital; 1 if the majority are scanned; 0 if the majority are kept in paper format.
- Whether there is a geographic information system—an electronic database for recording boundaries, checking plans and providing cadastral information. A score of 1 is assigned if yes; 0 if no.
- How the land ownership registry and mapping agency are linked. A score of 1 is assigned if information about land ownership and maps are kept in a single database or in linked databases; 0 if there is no connection between the different databases.

- How immovable property is identified. A score of 1 is assigned if there is a unique number to identify properties for the majority of land plots; 0 if there are multiple identifiers.

The index ranges from 0 to 8, with higher values indicating a higher quality of infrastructure for ensuring the reliability of information on property titles and boundaries. In Turkey, for example, the land registry offices in Istanbul maintain titles in a fully digital format (a score of 2) and have a fully electronic database to check for encumbrances (a score of 1). The Cadastral Directorate offices in Istanbul have digital maps (a score of 2), and the Geographical Information Directorate has a public portal allowing users to check the plans and cadastral information on parcels along with satellite images (a score of 1). Databases about land ownership and maps are linked to each other through the TAKBIS system, an integrated information system for the land registry offices and cadastral offices (a score of 1). Finally, there is a unique identifying number for properties (a score of 1). Adding these numbers gives Turkey a score of 8 on the reliability of infrastructure index.

**Transparency of information index**

The transparency of information index has 10 components:

- Whether information on land ownership is made publicly available. A score of 1 is assigned if information on land ownership is accessible by anyone; 0 if access is restricted.
- Whether the list of documents required for completing any type of property transaction is made publicly available. A score of 0.5 is assigned if the list of documents is accessible online or on a public board; 0 if it is not made available to the public or if it can be obtained only in person.
- Whether the fee schedule for completing any type of property transaction is made publicly available. A score of 0.5 is assigned if the fee



**TABLE 7.6 What do the indicators on the quality of land administration measure?**

<b>Reliability of infrastructure index (0–8)</b>
Type of system for archiving information on land ownership
Availability of electronic database to check for encumbrances
Type of system for archiving maps
Availability of geographic information system
Link between property ownership registry and mapping system
<b>Transparency of information index (0–6)</b>
Accessibility of information on land ownership
Accessibility of maps of land plots
Publication of fee schedules, lists of registration documents, service standards
Availability of a specific and separate mechanism for complaints
Publication of statistics about the number of property transactions
<b>Geographic coverage index (0–8)</b>
Coverage of land registry at the level of the selected location and the economy
Coverage of mapping agency at the level of the selected economy and the economy
<b>Land dispute resolution index (0–8)</b>
Legal framework for immovable property registration
Mechanisms to prevent and resolve land disputes
<b>Equal access to property rights index (–2–0)</b>
Unequal ownership rights to property between unmarried men and women
Unequal ownership rights to property between married men and women
<b>Quality of land administration index (0–30)</b>
Sum of the reliability of infrastructure, transparency of information, geographic coverage, land dispute resolution and equal access to property rights indices

schedule is accessible online or on a public board or is free of charge; 0 if it is not made available to the public or if it can be obtained only in person.

- Whether the agency in charge of immovable property registration commits to delivering a legally binding document that proves property ownership within a specific time frame. A score of 0.5 is assigned if the service standard is accessible online or on a public board; 0 if it is not made available to the public or if it can be obtained only in person.
- Whether there is a specific and separate mechanism for filing complaints about a problem that occurred at the agency in charge of immovable property registration. A score of 1 is assigned if there is a specific and separate mechanism for filing a complaint; 0 if there is only a general mechanism or no mechanism.

- Whether there are publicly available official statistics tracking the number of transactions at the immovable property registration agency. A score of 0.5 is assigned if statistics are published about property transfers in the selected location in the past calendar year; 0 if no such statistics are made publicly available.
- Whether maps of land plots are made publicly available. A score of 0.5 is assigned if maps are accessible by anyone; 0 if access is restricted.
- Whether the fee schedule for accessing maps is made publicly available. A score of 0.5 is assigned if the fee schedule is accessible online or on a public board or free of charge; 0 if it is not made available to the public or if it can be obtained only in person.
- Whether the mapping agency commits to delivering an updated map within a specific time frame. A score

of 0.5 is assigned if the service standard is accessible online or on a public board; 0 if it is not made available to the public or if it can be obtained only in person.

- Whether there is a specific and separate mechanism for filing complaints about a problem that occurred at the mapping agency. A score of 0.5 is assigned if there is a specific and separate mechanism for filing a complaint; 0 if there is only a general mechanism or no mechanism.

The index ranges from 0 to 6, with higher values indicating greater transparency in the land administration system. In the Netherlands, for example, anyone who pays a fee can consult the land ownership database (a score of 1). Information can be obtained at the office, by mail or online using the Kadaster website (<http://www.kadaster.nl>). Anyone can also get information online about the list of documents to submit for property registration (a score of 0.5), the fee schedule for registration (a score of 0.5) and the service standards (a score of 0.5). And anyone facing a problem at the land registry can file a complaint or report an error by filling in a specific form online (a score of 1). In addition, the Kadaster makes statistics about land transactions available to the public, reporting a total of 178,293 property transfers in Amsterdam in 2015 (a score of 0.5). Moreover, anyone who pays a fee can consult online cadastral maps (a score of 0.5). It is also possible to get public access to the fee schedule for map consultation (a score of 0.5), the service standards for delivery of an updated plan (a score of 0.5) and a specific mechanism for filing a complaint about a map (a score of 0.5). Adding these numbers gives the Netherlands a score of 6 on the transparency of information index.

### Geographic coverage index

The geographic coverage index has four components:

- How complete the coverage of the land registry is at the level of the

selected location. A score of 2 is assigned if all privately held land plots in the location are formally registered at the land registry; 0 if not.

- How complete the coverage of the land registry is at the level of the economy. A score of 2 is assigned if all privately held land plots in the economy are formally registered at the land registry; 0 if not.
- How complete the coverage of the mapping agency is at the level of the selected location. A score of 2 is assigned if all privately held land plots in the location are mapped; 0 if not.
- How complete the coverage of the mapping agency is at the level of the economy. A score of 2 is assigned if all privately held land plots in the economy are mapped; 0 if not.

The index ranges from 0 to 8, with higher values indicating greater geographic coverage in land ownership registration and cadastral mapping. In the Republic of Korea, for example, all privately held land plots are formally registered at the land registry in Seoul (a score of 2) and in the economy as a whole (a score of 2). In addition, all privately held land plots are mapped in Seoul (a score of 2) and in the economy as a whole (a score of 2). Adding these numbers gives Korea a score of 8 on the geographic coverage index.

### Land dispute resolution index

The land dispute resolution index assesses the legal framework for immovable property registration and the accessibility of dispute resolution mechanisms. The index has eight components:

- Whether the law requires that all property sale transactions be registered at the immovable property registry to make them opposable to third parties. A score of 1.5 is assigned if yes; 0 if no.
- Whether the formal system of immovable property registration is subject to a guarantee. A score of 0.5 is assigned if either a state or private guarantee over immovable property registration is required by law; 0 if no such guarantee is required.
- Whether there is a specific compensation mechanism to cover for losses incurred by parties who engaged in good faith in a property transaction based on erroneous information certified by the immovable property registry. A score of 0.5 is assigned if yes; 0 if no.
- Whether the legal system requires verification of the legal validity of the documents necessary for a property transaction. A score of 0.5 is assigned if there is a review of legal validity, either by the registrar or by a professional (such as a notary or lawyer); 0 if there is no review.
- Whether the legal system requires verification of the identity of the parties to a property transaction. A score of 0.5 is assigned if there is verification of identity, either by the registrar or by a professional (such as a notary or lawyer); 0 if there is no verification.
- Whether there is a national database to verify the accuracy of identity documents. A score of 1 is assigned if such a national database is available; 0 if not.
- How much time it takes to obtain a decision from a court of first instance (without appeal) in a standard land dispute between two local businesses over tenure rights worth 50 times income per capita and located in the selected location. A score of 3 is assigned if it takes less than one year; 2 if it takes between one and two years; 1 if it takes between two and three years; 0 if it takes more than three years.
- Whether there are publicly available statistics on the number of land disputes in the first instance. A score of 0.5 is assigned if statistics are published about land disputes in the economy in the past calendar year; 0 if no such statistics are made publicly available.

The index ranges from 0 to 8, with higher values indicating greater protection

against land disputes. In Lithuania, for example, according to the Civil Code and the Law on the Real Property Register, property transactions must be registered at the land registry to make them opposable to third parties (a score of 1.5). The property transfer system is guaranteed by the state (a score of 0.5) and has a compensation mechanism to cover for losses incurred by parties who engaged in good faith in a property transaction based on an error by the registry (a score of 0.5). A notary verifies the legal validity of the documents in a property transaction (a score of 0.5) and the identity of the parties (a score of 0.5), in accordance with the Law on the Notary Office (Law I-2882). Lithuania has a national database to verify the accuracy of identity documents (a score of 1). In a land dispute between two Lithuanian companies over the tenure rights of a property worth US\$745,000, the Vilnius District Court gives a decision in less than one year (a score of 3). Finally, statistics about land disputes are collected and published; there were a total of seven land disputes in the country in 2015 (a score of 0.5). Adding these numbers gives Lithuania a score of 8 on the land dispute resolution index.

### Equal access to property rights index

The equal access to property rights index has two components:

- Whether unmarried men and unmarried women have equal ownership rights to property. A score of -1 is assigned if there are unequal ownership rights to property; 0 if there is equality.
- Whether married men and married women have equal ownership rights to property. A score of -1 is assigned if there are unequal ownership rights to property; 0 if there is equality.

Ownership rights cover the ability to manage, control, administer, access, encumber, receive, dispose of and transfer property. Each restriction is considered if there is a differential treatment

for men and women in the law considering the default marital property regime. For customary land systems, equality is assumed unless there is a general legal provision stating a differential treatment.

The index ranges from -2 to 0, with higher values indicating greater inclusiveness of property rights. In Mali, for example, unmarried men and unmarried women have equal ownership rights to property (a score of 0). The same applies to married men and married women who can use their property in the same way (a score of 0). Adding these numbers gives Mali a score of 0 on the equal access to property rights index—which indicates equal property rights between men and women. In contrast, in Swaziland, unmarried men and unmarried women do not have equal ownership rights to property according to the Deeds Registry Act of 1968, article 16 (a score of -1). The same applies to married men and married women who are not permitted to use their property in the same way according to the Deeds Registry Act of 1968, articles 16 and 45 (a score of -1). Adding these numbers gives Swaziland a score of -2 on the equal access to property rights index—which indicates unequal property rights between men and women.

### Quality of land administration index

The quality of land administration index is the sum of the scores on the reliability of infrastructure, transparency of information, geographic coverage, land dispute resolution and equal access to property right indices. The index ranges from 0 to 30, with higher values indicating better quality of the land administration system.

*The data details on registering property can be found at <http://www.doingbusiness.org>.*

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## NOTES

1. For more information, see the data notes in the *Doing Business 2017* report.
2. According to a study based on evidence from India between 1994 and 2005, a higher-quality electricity supply, with no more than two outages a week (or no more than about 100 a year), leads to higher nonagricultural incomes. Ujjayant Chakravorty, Martino Pelli and Beyza P. Ural Marchand, "Does the Quality of Electricity Matter? Evidence from Rural India," FEEM Working Paper 11.2014 (Fondazione Eni Enrico Mattei, Milan, 2014).

## Province Snapshots

### BALKH (MAZAR-I-SHARIF)

Starting a business (rank)	2	Getting electricity (rank)	2
Distance to frontier score (0–100)	86.19	Distance to frontier score (0–100)	44.03
Procedures (number)	7.5	Procedures (number)	7
Time (days)	7.5	Time (days)	94
Cost (% of income per capita)	19.9	Cost (% of income per capita)	1,957.3
Minimum capital (% of income per capita)	0.0	Reliability of supply and transparency of tariffs index (0–8)	0

Dealing with construction permits (rank)	2	Registering property (rank)	2
Distance to frontier score (0–100)	38.43	Distance to frontier score (0–100)	36.72
Procedures (number)	14	Procedures (number)	11
Time (days)	108	Time (days)	119
Cost (% of warehouse value)	31.8	Cost (% of property value)	5.0
Building quality control index (0–15)	2	Quality of land administration index (0–30)	6

### HERAT (HERAT)

Starting a business (rank)	4	Getting electricity (rank)	5
Distance to frontier score (0–100)	85.94	Distance to frontier score (0–100)	38.95
Procedures (number)	7.5	Procedures (number)	7
Time (days)	8.5	Time (days)	140
Cost (% of income per capita)	19.9	Cost (% of income per capita)	1,983.9
Minimum capital (% of income per capita)	0.0	Reliability of supply and transparency of tariffs index (0–8)	0

Dealing with construction permits (rank)	4	Registering property (rank)	5
Distance to frontier score (0–100)	27.62	Distance to frontier score (0–100)	24.17
Procedures (number)	23	Procedures (number)	11
Time (days)	133	Time (days)	236
Cost (% of warehouse value)	32.1	Cost (% of property value)	5.0
Building quality control index (0–15)	2	Quality of land administration index (0–30)	4

**KABUL (KABUL)**

Starting a business (rank)	1	Getting electricity (rank)	1
Distance to frontier score (0–100)	92.08	Distance to frontier score (0–100)	45.04
Procedures (number)	3.5	Procedures (number)	6
Time (days)	7.5	Time (days)	114
Cost (% of income per capita)	19.9	Cost (% of income per capita)	2,274.7
Minimum capital (% of income per capita)	0.0	Reliability of supply and transparency of tariffs index (0–8)	0
Dealing with construction permits (rank)	5	Registering property (rank)	4
Distance to frontier score (0–100)	22.39	Distance to frontier score (0–100)	27.50
Procedures (number)	13	Procedures (number)	9
Time (days)	356	Time (days)	250
Cost (% of warehouse value)	82.7	Cost (% of property value)	5.0
Building quality control index (0–15)	2.5	Quality of land administration index (0–30)	3

**KANDAHAR (KANDAHAR)**

Starting a business (rank)	2	Getting electricity (rank)	4
Distance to frontier score (0–100)	86.19	Distance to frontier score (0–100)	42.36
Procedures (number)	7.5	Procedures (number)	7
Time (days)	7.5	Time (days)	109
Cost (% of income per capita)	19.9	Cost (% of income per capita)	1,970.6
Minimum capital (% of income per capita)	0.0	Reliability of supply and transparency of tariffs index (0–8)	0
Dealing with construction permits (rank)	1	Registering property (rank)	1
Distance to frontier score (0–100)	39.29	Distance to frontier score (0–100)	40.31
Procedures (number)	14	Procedures (number)	11
Time (days)	96	Time (days)	75
Cost (% of warehouse value)	28.4	Cost (% of property value)	5.0
Building quality control index (0–15)	2	Quality of land administration index (0–30)	4

**NANGARHAR (JALALABAD)**

Starting a business (rank)	4	Getting electricity (rank)	3
Distance to frontier score (0–100)	85.94	Distance to frontier score (0–100)	42.94
Procedures (number)	7.5	Procedures (number)	7
Time (days)	8.5	Time (days)	104
Cost (% of income per capita)	19.9	Cost (% of income per capita)	1,957.3
Minimum capital (% of income per capita)	0.0	Reliability of supply and transparency of tariffs index (0–8)	0
Dealing with construction permits (rank)	3	Registering property (rank)	3
Distance to frontier score (0–100)	31.71	Distance to frontier score (0–100)	35.60
Procedures (number)	21	Procedures (number)	12
Time (days)	104	Time (days)	97
Cost (% of warehouse value)	34.3	Cost (% of property value)	5.0
Building quality control index (0–15)	2	Quality of land administration index (0–30)	4



# Indicator Snapshots

Starting a business						
Province (City)	Procedures (number)	Time (days)	Cost (% of income per capita)	Paid-in minimum capital (% of income per capita)	Distance to frontier score (0–100)	Ease of starting a business (rank)
Balkh ( <i>Mazar-i-Sharif</i> )	7.5	7.5	19.9	0.0	86.19	2
Herat ( <i>Herat</i> )	7.5	8.5	19.9	0.0	85.94	4
Kabul ( <i>Kabul</i> )	3.5	7.5	19.9	0.0	92.08	1
Kandahar ( <i>Kandahar</i> )	7.5	7.5	19.9	0.0	86.19	2
Nangarhar ( <i>Jalalabad</i> )	7.5	8.5	19.9	0.0	85.94	4

Note: Procedures and time are calculated as the average of both men and women.

Dealing with construction permits						
Province (City)	Procedures (number)	Time (days)	Cost (% of warehouse value)	Building quality control index (0–15)	Distance to frontier score (0–100)	Ease of dealing with construction permits (rank)
Balkh ( <i>Mazar-i-Sharif</i> )	14	108	31.8	2	38.43	2
Herat ( <i>Herat</i> )	23	133	32.1	2	27.62	4
Kabul ( <i>Kabul</i> )	13	356	82.7	2.5	22.39	5
Kandahar ( <i>Kandahar</i> )	14	96	28.4	2	39.29	1
Nangarhar ( <i>Jalalabad</i> )	21	104	34.3	2	31.71	3

Getting electricity						
Province (City)	Procedures (number)	Time (days)	Cost (% of income per capita)	Reliability of supply and transparency of tariffs index (0–8)	Distance to frontier score (0–100)	Ease of getting electricity (rank)
Balkh ( <i>Mazar-i-Sharif</i> )	7	94	1,957.3	0	44.03	2
Herat ( <i>Herat</i> )	7	140	1,983.9	0	38.95	5
Kabul ( <i>Kabul</i> )	6	114	2,274.7	0	45.04	1
Kandahar ( <i>Kandahar</i> )	7	109	1,970.6	0	42.36	4
Nangarhar ( <i>Jalalabad</i> )	7	104	1,957.3	0	42.94	3

Registering property						
Province (City)	Procedures (number)	Time (days)	Cost (% of property value)	Quality of land administration index (0–30)	Distance to frontier score (0–100)	Ease of registering property (rank)
Balkh ( <i>Mazar-i-Sharif</i> )	11	119	5.0	6	36.72	2
Herat ( <i>Herat</i> )	11	236	5.0	4	24.17	5
Kabul ( <i>Kabul</i> )	9	250	5.0	3	27.50	4
Kandahar ( <i>Kandahar</i> )	11	75	5.0	4	40.31	1
Nangarhar ( <i>Jalalabad</i> )	12	97	5.0	4	35.60	3

# List of Procedures

## LIST OF PROCEDURES STARTING A BUSINESS

### Balkh (Mazar-i-Sharif)

Standard company legal form: Private limited liability company

Minimum capital requirement: None

Data as of: November 2016

#### Procedure 1. Obtain husband's permission to leave the house

**Time:** 1 day

**Cost:** None

**Comments:** Under the 1977 Afghanistan Civil Law, a married woman will not be entitled to alimony if she leaves her residence without her husband's permission or for non-permitted purposes.

#### Procedure 2. Verify the availability of the company's name and the good standing of its owners

**Time:** 1 day

**Cost:** None

**Comments:** Up until December, 2016 while Afghanistan Investment Support Agency (AISA)'s operations were gradually transferred to the Afghanistan Central Business Registry (ACBRIP), a local officer of AISA in Mazar-i-Sharif sent an e-mail to AISA headquarters in Kabul requesting confirmation of the availability of the company's proposed name and the financial good standing of its owners. Changes to this procedure are expected as a result of the merger of AISA and ACBRIP.

#### Procedure 3. Submit a license application and obtain a letter for registration of the company

**Time:** 1 day

**Cost:** None

**Comments:** The applicant submits an application form providing the following information and documents:

- Name of the company's owners and copies of their national identification cards (tazkeras)

- Photos of the owners or board members
- Legal form or identity (for example, sole proprietorship, corporation or limited liability company)
- Articles of incorporation
- Company's name and address (lease agreement)

Up until December 2016, AISA was issuing an invoice in the amount of AFN 2,847 to be paid at the Afghan United Bank. Once the payment was made, the applicant obtained a letter (maktoob) to register the company with ACBRIP. Changes to this procedure are expected as a result of the merger of AISA and ACBRIP.

#### Procedure 4. Pay licensing fees

**Time:** 1 day

**Cost:** AFN 2,847

**Comments:** Fees were paid at the Afghan United Bank. Changes to this procedure are expected as a result of the merger of AISA and ACBRIP.

#### Procedure 5. Register the new company with the ACBRIP

**Time:** 1 day

**Cost:** None (Cost paid in procedure 6)

**Comments:** The applicant presented a letter obtained from AISA at the office of the ACBRIP in Mazar-i-Sharif to request the company's registration. The ACBRIP issued a signed letter and an invoice in the amount of AFN 4,500 to be paid at the ACBR's cashiers located on the same premises. With the unification of licensing processes under the ACBRIP, registration of the business license will be done directly by ACBRIP.

#### Procedure 6. Pay registration and publication fees

**Time:** 1 day

**Cost:** AFN 4,500 (AFN 2,000 for registration + AFN 2,500 for publication)

**Comments:** Registration fees and the cost of publication in the official gazette for a notice of the company's incorporation were paid at the ACBRIP office in Mazar-i-Sharif. The cost of publication varied depending on the length of the advertisement. Changes to this procedure

are expected as a result of the merger of AISA and ACBRIP.

#### Procedure 7. Request and obtain a tax identification number from the Ministry of Finance

**Time:** 1 day

**Cost:** None

**Comments:** Up until December 2016, an officer of AISA filed the letter issued by AISA with the tax authority to request a tax identification number for the new company. Changes to this procedure are expected as a result of the merger of AISA and ACBRIP.

#### Procedure 8. Obtain license

**Time:** 1 day

**Cost:** None (Cost paid in procedure 4)

**Comments:** A registration certificate was printed and handed to the investor. The certificate allowed the company to start commercial activities. With the unification of licensing processes under ACBRIP, new business licenses will be issued by ACBRIP and registration certificates will no longer be required.

## STARTING A BUSINESS

### Herat (Herat)

Standard company legal form: Private limited liability company

Minimum capital requirement: None

Data as of: November 2016

#### Procedure 1. Obtain husband's permission to leave the house

**Time:** 1 day

**Cost:** None

**Comments:** Under the 1977 Afghanistan Civil Law, a married woman will not be entitled to alimony if she leaves her residence without her husband's permission or for non-permitted purposes.

### Procedure 2. Verify the availability of the company's name and the good standing of its owners

**Time:** 1 day

**Cost:** None

**Comments:** Up until December, 2016 while Afghanistan Investment Support Agency (AISA)'s operations were gradually transferred to the Afghanistan Central Business Registry (ACBRIP), a local officer of AISA in Herat sent an e-mail to AISA headquarters in Kabul requesting confirmation of the availability of the company's proposed name and the financial good standing of its owners. Changes to this procedure are expected as a result of the merger of AISA and ACBRIP.

### Procedure 3. Submit a license application and obtain a letter for registration of the company

**Time:** 1 day

**Cost:** None

**Comments:** The applicant, usually the president of the company, submits an application form providing the following information and documents:

- Name of the company's owners and copies of their national identification cards (tazkeras)
- Photos of the owners or board members
- Legal form or identity (for example, sole proprietorship, corporation or limited liability company)
- Articles of incorporation
- Company's name and address (lease agreement)

Up until December 2016, AISA was issuing an invoice in the amount of AFN 2,847 to be paid at the Afghan United Bank. Once the payment was made, the applicant obtained a letter (maktoob) to register the company with ACBRIP. Changes to this procedure are expected as a result of the merger of AISA and ACBRIP.

### Procedure 4. Pay licensing fees

**Time:** 1 day

**Cost:** AFN 2,847

**Comments:** Fees were paid at the Afghan United Bank. Changes to this procedure are expected as a result of the merger of AISA and ACBRIP.

### Procedure 5. Register the new company with the ACBRIP

**Time:** 1 day

**Cost:** None (Cost paid in procedure 6)

**Comments:** The applicant presented a letter obtained from AISA at the office of the ACBRIP in Herat to request the company's registration. The ACBRIP issued a signed letter and an invoice in the amount of AFN 4,500 to be paid at the ACBR's cashiers located on the same premises.

With the unification of licensing processes under the ACBRIP, registration of the business license will be done directly by ACBRIP.

### Procedure 6. Pay registration and publication fees

**Time:** 1 day

**Cost:** AFN 4,500 (AFN 2,000 for registration + AFN 2,500 for publication)

**Comments:** Registration fees and the cost of publication in the official gazette for a notice of the company's incorporation were paid at the ACBRIP office in Herat. The cost of publication varied depending on the length of the advertisement. Changes to this procedure are expected as a result of the merger of AISA and ACBRIP.

### Procedure 7. Request and obtain a tax identification number from the Ministry of Finance

**Time:** 2 days

**Cost:** None

**Comments:** Up until December 2016, an officer of AISA filed the letter issued by AISA with the tax authority to request a tax identification number for the new company. Changes to this procedure are expected as a result of the merger of AISA and ACBRIP.

### Procedure 8. Obtain license

**Time:** 1 day

**Cost:** None (Cost paid in procedure 4)

**Comments:** A registration certificate was printed and handed to the investor. The certificate allowed the company to start commercial activities. With the unification of licensing processes under ACBRIP, new business licenses will be issued by ACBRIP and registration certificates will no longer be required.

#### STARTING A BUSINESS

#### *Kabul (Kabul)*

*Standard company legal form: Private limited liability company*

*Minimum capital requirement: None*

*Data as of: June 2016*

### ♀ Procedure 1. Obtain husband's permission to leave the house

**Time:** 1 day

**Cost:** None

**Comments:** Under the 1977 Afghanistan Civil Law, a married woman will not be entitled to alimony if she leaves her residence without her husband's permission or for non-permitted purposes.

### Procedure 2. Register the company and obtain a tax identification number

**Time:** 3 days

**Cost:** None (Cost paid in procedure 3)

**Comments:** The applicant must provide the following documents to register the company:

- Application form (available online)
- Copy of the ID or passport of the director or directors
- Two sets of color passport photographs of the director or directors
- Articles of incorporation
- Tax identification form

Details on all new businesses and investments were collected by the ACBRIP and sent to the Ministry of Justice in Kabul for publication in the official gazette. The text is drafted by the ACBRIP, though businesses can draft their own text if they prefer. The gazette entry includes, at a minimum, the following information:

- Name of the company
- Name of the president and vice president of the company
- Location
- Initial capital
- Type of operation
- Type of activity

### Procedure 3. Pay registration, publication and licensing fees

**Time:** 1 day

**Cost:** AFN 7,347 (AFN 2,000 for registration + AFN 2,500 for publication + AFN 2,847 licensing fee)

**Comments:** Fees are paid at the cashier located at the one-stop shop.

### Procedure 4. Obtain license

**Time:** 3 days

**Cost:** None (Cost of AFN 2,847 paid in procedure 3)

**Comments:** Once the application is accepted and the fees are paid at the cashier's counter, the investment license is obtained.

#### STARTING A BUSINESS

#### *Kandahar (Kandahar)*

*Standard company legal form: Private limited liability company*

*Minimum capital requirement: None*

*Data as of: November 2016*

### ♀ Procedure 1. Obtain husband's permission to leave the house

**Time:** 1 day

**Cost:** None

**Comments:** Under the 1977 Afghanistan Civil Law, a married woman will not be entitled to alimony if she leaves her residence without her husband's permission or for non-permitted purposes.

### Procedure 2. Verify the availability of the company's name and the good standing of its owners

**Time:** 1 day

**Cost:** None

**Comments:** Up until December, 2016 while Afghanistan Investment Support Agency (AISA)'s operations were gradually transferred to the Afghanistan Central Business Registry (ACBRIP), a local officer of AISA in Kandahar sent an e-mail to AISA headquarters in Kabul requesting confirmation of the availability of the company's proposed name and the financial good standing of its owners. Changes to this procedure are expected as a result of the merger of AISA and ACBRIP.

### Procedure 3. Submit a license application and obtain a letter for registration of the company

**Time:** 1 day

**Cost:** None

**Comments:** The applicant submits an application form providing the following information and documents:

- Name of the company's owners and copies of their national identification cards (tazkeras)
- Photos of the owners or board members
- Legal form or identity (for example, sole proprietorship, corporation or limited liability company)
- Articles of incorporation
- Company's name and address (lease agreement)

Up until December 2016, AISA was issuing an invoice in the amount of AFN 2,847 to be paid at the Afghan United Bank. Once the payment was made, the applicant obtained a letter (maktoob) to register the company with ACBRIP. Changes to this procedure are expected as a result of the merger of AISA and ACBRIP.

### Procedure 4. Pay licensing fees

**Time:** 1 day

**Cost:** AFN 2,847

**Comments:** Fees were paid at the Afghan United Bank. Changes to this procedure are expected as a result of the merger of AISA and ACBRIP.

### Procedure 5. Register the new company with the ACBRIP

**Time:** 1 day

**Cost:** None (Cost paid in procedure 6)

**Comments:** The applicant presented a letter obtained from AISA at the office of the ACBRIP in Kandahar to request the company's registration. The ACBR issued a signed letter and an invoice in the amount of AFN 4,500 to be paid at the ACBR's cashiers located on the same premises. With the unification of licensing processes under the ACBRIP, registration of the business license will be done directly by ACBRIP.

### Procedure 6. Pay registration and publication fees

**Time:** 1 day

**Cost:** AFN 4,500 (AFN 2,000 for registration + AFN 2,500 for publication)

**Comments:** Registration fees and the cost of publication in the official gazette for a notice of the company's incorporation were paid at the ACBRIP office in Kandahar. The cost of publication varied depending on the length of the advertisement. Changes to this procedure are expected as a result of the merger of AISA and ACBRIP.

### Procedure 7. Request and obtain a tax identification number from the Ministry of Finance

**Time:** 1 day

**Cost:** None

**Comments:** Up until December 2016, an officer of AISA filed the letter issued by AISA with the tax authority to request a tax identification number for the new company. Changes to this procedure are expected as a result of the merger of AISA and ACBRIP.

### Procedure 8. Obtain license

**Time:** 1 day

**Cost:** None (Cost paid in procedure 4)

**Comments:** A registration certificate was printed and handed to the investor. The certificate allowed the company to start commercial activities. With the unification of licensing processes under ACBRIP, new business licenses will issued by ACBRIP and registration certificates will no longer be required.

#### STARTING A BUSINESS

#### Nangarhar (Jalalabad)

*Standard company legal form: Private limited liability company*

*Minimum capital requirement: None*

*Data as of: November 2016*

### Procedure 1. Obtain husband's permission to leave the house

**Time:** 1 day

**Cost:** None

**Comments:** Under the 1977 Afghanistan Civil Law, a married woman will not be entitled to alimony if she leaves her residence without

her husband's permission or for non-permitted purposes.

### Procedure 2. Verify the availability of the company's name and the good standing of its owners

**Time:** 1 day

**Cost:** None

**Comments:** Up until December, 2016 while the Afghanistan Investment Support Agency (AISA)'s operations were gradually transferred to the Afghanistan Central Business Registry (ACBRIP), a local officer of AISA in Jalalabad sent an e-mail to AISA headquarters in Kabul requesting confirmation of the availability of the company's proposed name and the financial good standing of its owners. Changes to this procedure are expected as a result of the merger of AISA and ACBRIP.

### Procedure 3. Submit a license application and obtain a letter for registration of the company

**Time:** 1 day

**Cost:** None

**Comments:** The applicant submits an application form providing the following information and documents:

- Name of the company's owners and copies of their national identification cards (tazkeras)
- Photos of the owners or board members
- Legal form or identity (for example, sole proprietorship, corporation or limited liability company)
- Articles of incorporation
- Company's name and address (lease agreement)

Up until December 2016, AISA was issuing an invoice in the amount of AFN 2,847 to be paid at the Afghan United Bank. Once the payment was made, the applicant obtained a letter (maktoob) to register the company with ACBRIP. Changes to this procedure are expected as a result of the merger of AISA and ACBRIP.

### Procedure 4. Pay licensing fees

**Time:** 1 day

**Cost:** AFN 2,847

**Comments:** Fees were paid at the Afghan United Bank. Changes to this procedure are expected as a result of the merger of AISA and ACBRIP.

### Procedure 5. Register the new company with the ACBRIP

**Time:** 1 day

**Cost:** None (Cost paid in procedure 6)

**Comments:** The applicant presented a letter obtained from AISA at the office of the ACBRIP in Jalalabad to request the company's registration. The ACBR issued a signed letter

and an invoice in the amount of AFN 4,500 to be paid at the ACBR's cashiers located on the same premises. With the unification of licensing processes under the ACBRIP, registration of the business license will be done directly by ACBRIP.

### Procedure 6. Pay registration and publication fees

**Time:** 1 day

**Cost:** AFN 4,500 (AFN 2,000 for registration + AFN 2,500 for publication)

**Comments:** Registration fees and the cost of publication in the official gazette for a notice of the company's incorporation were paid at the ACBRIP office in Jalalabad. The cost of publication varied depending on the length of the advertisement. Changes to this procedure are expected as a result of the merger of AISA and ACBRIP.

### Procedure 7. Request and obtain a tax identification number from the Ministry of Finance

**Time:** 2 days

**Cost:** None

**Comments:** Up until December 2016, an officer of AISA filed the letter issued by AISA with the tax authority to request a tax identification number for the new company. Changes to this procedure are expected as a result of the merger of AISA and ACBRIP.

### Procedure 8. Obtain license

**Time:** 1 day

**Cost:** None (Cost paid in procedure 4)

**Comments:** A registration certificate was printed and handed to the investor. The certificate allowed the company to start commercial activities. With the unification of licensing processes under ACBRIP, new business licenses will be issued by ACBRIP and registration certificates will no longer be required.

## LIST OF PROCEDURES DEALING WITH CONSTRUCTION PERMITS

*Balkh (Mazar-i-Sharif)*

Warehouse value: AFN 1,879,943 (US\$31,500)

Data as of: November 2016

### Procedure 1. Submit a building permit application to the municipality

**Time:** 10 days

**Cost:** None

**Comments:** To obtain a building permit, BuildCo must submit an application to the municipality, attaching a copy of the land deed. The head of the municipality refers the application to the

relevant department for further processing. The municipality assigns an engineer to inspect the land plot. Because the municipality has only a few field engineers, the wait time for the inspection might be five to seven days.

### Procedure 2. Receive inspection of the land plot

**Time:** 1 day

**Cost:** None

**Comments:** Accompanied by a representative from BuildCo, the municipality's engineer visits the land plot to verify its location, size and boundaries and to check whether it is in a residential or commercial area.

### Procedure 3. Obtain a sketch of the land plot and preliminary approval from the municipality

**Time:** 3 days

**Cost:** None

**Comments:** After the inspection the engineer prepares a sketch of the land plot and attaches it to the application material. The relevant department of the municipality then provides a preliminary approval of the application and returns the package to BuildCo to submit to the Department of Urban Development (DoUD, the local branch of the Ministry of Urban Development) for further processing.

### Procedure 4. Obtain preliminary approval from the Department of Urban Development

**Time:** 20 days

**Cost:** AFN 15,836

**Comments:** BuildCo submits the application to the director of the DoUD. The DoUD checks the master plan to see whether the location is suitable for a warehouse (that is, whether the plot is in a residential or commercial area). If the conclusion is positive, the DoUD provides a checklist of the documents to be submitted:

- Sketch of the land plot
- Architectural drawings
- Map or plan of the utilities (electricity, water, sewerage and ventilation systems)
- Estimate of the costs of the project
- Copy of the diploma of the project designer or engineer responsible for the architectural and engineering drawings
- Copy of the construction company license issued by the Afghanistan Investment Support Agency

Once BuildCo submits all the required documents to the DoUD, its architecture department checks the drawings of both the exterior (roads, sidewalks) and the interior (rooms, corridors). If any mistakes are found, the drawings are sent back to BuildCo for correction.

The drawings are then reviewed by the DoUD construction department, which checks the structural strength of the building, and by the DoUD technical department, which checks the plans for the utilities.

The DoUD finance department calculates the fee for review of the drawings according to a fee schedule and gives the applicant an invoice to be paid at Da Afghanistan Bank. The formula for the fee (for commercial buildings) is as follows: volume of the building (in cubic meters) × AFN 4,700 × 0.035 × 0.02. For the case study warehouse, with a volume of 3,901.5 cubic meters, the fee is AFN 12,836.

In addition, the DoUD charges the applicant two days' wages for the technical engineer who reviewed the technical plans, at AFN 1,500 a day. Overall, BuildCo has to pay AFN 15,836 (AFN 12,836 reviewing fee + AFN 3,000 engineer's fee).

Once all the drawings are reviewed, the DoUD prints out the site plan and specifies the building parameters. BuildCo signs a statement on the site plan committing that it will build only on the specified land plot and according to the approved plans. The DoUD makes three copies of this document—one for the municipality's construction department, the second for BuildCo and the last for its records.

This step involves significant corruption risks, and a bribe of US\$500–1,000 to expedite the process is very common. The *Doing Business* project does not record informal payments.

### Procedure 5. Obtain the building permit from the municipality

**Time:** 30 days

**Cost:** AFN 74,031

**Comments:** BuildCo takes the package to the mayor, who signs the application and refers it to the municipality's technical department. The technical department checks the master plan to verify that the proposed building is in line with city planning guidelines. It then refers the application to the engineering department to calculate the building permit fee based on the size of the building.

The application material is then forwarded to the municipality's planning department, which makes a copy of the drawings and archives it. The planning department then issues a letter, signed by the mayor, to the revenue department. The revenue department creates an invoice based on the calculations provided by the engineering department. Once BuildCo pays the fee, the municipality issues an official letter to the relevant district and the police department stating that BuildCo has been granted a building permit.

The formula for the building permit fee is as follows: volume of the building (in cubic meters) × 2,300 / 100,000 × 750 + a 10% fee (for the



engineer who reviewed the application). For the case study warehouse, with a volume of 3,901.5 cubic meters, the fee is AFN 74,031.

### Procedure 6. Receive random inspection from the municipality during construction

**Time:** 1 day

**Cost:** None

**Comments:** The municipality inspects the construction once every month over a seven-month period to check for possible violations of the land boundaries and the permitted height of the building. There are two engineers at the municipality who periodically conduct such inspections, with no specific schedule. Most construction projects in Mazar-i-Sharif are inspected.

### Procedure 7. Receive random inspection from the municipality during construction

**Time:** 1 day

**Cost:** None

**Comments:** See comments under procedure 6.

### Procedure 8. Receive random inspection from the municipality during construction

**Time:** 1 day

**Cost:** None

**Comments:** See comments under procedure 6.

### Procedure 9. Receive random inspection from the municipality during construction

**Time:** 1 day

**Cost:** None

**Comments:** See comments under procedure 6.

### Procedure 10. Receive random inspection from the municipality during construction

**Time:** 1 day

**Cost:** None

**Comments:** See comments under procedure 6.

### Procedure 11. Receive random inspection from the municipality during construction

**Time:** 1 day

**Cost:** None

**Comments:** See comments under procedure 6.

### Procedure 12. Receive random inspection from the municipality during construction

**Time:** 1 day

**Cost:** None

**Comments:** See comments under procedure 6.

### Procedure 13. Drill a well for water supply

**Time:** 7 days

**Cost:** AFN 119,361

**Comments:** Water supplies in Mazar-i-Sharif are obtained from groundwater sources and manmade wells. BuildCo must dig its own well. Builders normally drill up to 30–50 meters deep, though this depends on the needs of the project.

The well is drilled by the construction company or by a private contractor. The ground in the Mazar-i-Sharif area is soft and muddy, so the cost of drilling is relatively low. On average in Mazar-i-Sharif, drilling a 50-meter well costs about US\$2,000 (at US\$40 per meter) and takes about a week.

### Procedure 14. Build a septic tank for sewage

**Time:** 30 days

**Cost:** AFN 387,925

**Comments:** Because Mazar-i-Sharif lacks a comprehensive sewerage system, BuildCo must build a septic tank. The cost depends on the size of the septic tank and the quality of construction. On average in Mazar-i-Sharif, building a septic tank costs around US\$6,500 and takes 30 days. The construction is done by BuildCo or by a private contractor.

### DEALING WITH CONSTRUCTION PERMITS

#### Herat (Herat)

*Warehouse value: AFN 1,879,943 (US\$31,500)*

*Data as of: November 2016*

### Procedure 1. Submit a building permit application to the mayor

**Time:** 21 days

**Cost:** None

**Comments:** To obtain a building permit, BuildCo must submit an application to the mayor along with a copy of the land deed and relevant drawings. The mayor signs off on the application and forwards it to the municipality's construction department and the head of the relevant district. The construction department assigns two representatives to the case—one from the property section and one from the revenue section. The district office assigns an engineer to conduct an on-site inspection of the land and prepare a sketch of the land plot. Because these officials are usually busy, the wait time for the inspection is around three weeks.

### Procedure 2. Receive inspection of the land plot

**Time:** 1 day

**Cost:** None

**Comments:** Accompanied by a representative from BuildCo, the two construction department representatives and the district engineer visit the site. They check the location of the proposed building against the land deed, and the engineer takes a photo of the land plot and the surrounding area.

### Procedure 3. Obtain a sketch of the land plot and preliminary approval from the municipality

**Time:** 7 days

**Cost:** None

**Comments:** After the inspection the district engineer draws a sketch of the land plot, completes a standard form and signs each page of the application package. The engineer also attaches a photo of the land plot taken during the inspection along with a detailed plan of the plot. The engineer submits the entire package to the district head, who approves the materials, stamps the package and forwards it to the municipality's construction department.

The two representatives assigned to the case at the construction department check the land deed against the land archives, then add a report to the application and submit the package to the head of the department. This official signs off on the application and prepares an official letter to the Department of Urban Development (DoUD, the local branch of the Ministry of Urban Development) providing the name of the applicant and information on the location. Once the mayor signs off on the application package, it is referred to the DoUD. BuildCo usually takes the application from the municipality to the DoUD itself to expedite the process.

### Procedure 4. Obtain preliminary approval from the Department of Urban Development

**Time:** 30 days

**Cost:** AFN 15,836

**Comments:** BuildCo submits the application package to the DoUD. Within two business days after receiving the application, the DoUD checks the master plan to see whether the location is suitable for a warehouse (that is, whether the plot is in a residential or commercial area). If the conclusion is positive, the DoUD provides a checklist of the documents to be submitted:

- Sketch of the land plot
- Architectural drawings
- Map or plan of the utilities (electricity, water, sewerage and ventilation systems)
- Estimate of the costs of the project
- Copy of the diploma of the project designer or engineer responsible for the architectural and engineering drawings

- Copy of the construction company license issued by the Afghanistan Investment Support Agency

Once BuildCo submits all the required documents to the DoUD, its architecture department checks the drawings of both the exterior (roads, sidewalks) and the interior (rooms, corridors). If any mistakes are found, the drawings are sent back to BuildCo for correction.

The drawings are then reviewed by the DoUD construction department, which checks the structural strength of the building, and by the DoUD technical department, which checks the plans for the utilities.

The DoUD finance department calculates the fee for review of the drawings according to a fee schedule and gives the applicant an invoice to be paid at Da Afghanistan Bank. The fee estimation takes around four days. The formula for the fee (for commercial buildings) is as follows: volume of the building (in cubic meters)  $\times$  AFN 4,700  $\times$  0.035  $\times$  0.02. For the case study warehouse, with a volume of 3,901.5 cubic meters, the fee is AFN 12,836.

In addition, the DoUD charges the applicant two days' wages for the technical engineer who reviewed the technical plans, at AFN 1,500 a day. Overall, BuildCo has to pay AFN 15,836 (AFN 12,836 reviewing fee + AFN 3,000 engineer's fee).

Once all the drawings are reviewed, the DoUD prints out the site plan and specifies the building parameters. BuildCo signs a statement on the site plan committing that it will build only on the specified land plot and according to the approved plans. The DoUD makes three copies of this document—one for the municipality's construction department, the second for BuildCo and the last for its records.

#### **Procedure 5. Receive inspection of the land plot by the municipality for estimation of the building permit fee**

**Time:** 1 day

**Cost:** None

**Comments:** The municipality's construction department, to estimate its fee for the building permit, sends an inspector to assess the land as well as to make sure that there has been no construction activity and that BuildCo did not take more land than was approved for construction. A representative of BuildCo must be present during this inspection.

#### **Procedure 6. Pay the building permit fee and obtain the building permit**

**Time:** 18 days

**Cost:** AFN 21,135

**Comments:** The inspector from the construction department submits a report to the head of the department, which serves as the basis for calculating the building permit fee. BuildCo pays

the fee at a bank and brings back the receipt. The construction department attaches its copy of the site plan to the receipt, and this package of documents serves as the building permit. The construction department issues a letter informing the district head that the permit has been issued.

The fee for the building permit (for commercial buildings) is calculated as AFN 325 per square meter, from which amount 5% is collected for the building permit fee.

#### **Procedure 7. Receive inspection from the municipality and the district authority before the start of construction**

**Time:** 1 day

**Cost:** None

**Comments:** The inspector from the construction department and the responsible district engineer coordinate with BuildCo to inspect the land plot before the start of construction. The inspector marks the boundaries of the land plot in the presence of the engineer. BuildCo can start building once this step has been completed, though in some cases the inspectors might ask for bribes to allow the commencement of construction. The *Doing Business* project does not record informal payments.

#### **Procedure 8. Receive random inspection from the municipality during construction**

**Time:** 1 day

**Cost:** None

**Comments:** The municipality's inspectors conduct a general assessment of the construction twice a month during the construction process. These inspections are typically unscheduled and conducted without prior notice. The Herat municipality has two inspectors. In most cases the inspectors are accompanied by an armed guard for security purposes. In some cases they might ask for small bribes. The *Doing Business* project does not record informal payments.

#### **Procedure 9. Receive random inspection from the municipality during construction**

**Time:** 1 day

**Cost:** None

**Comments:** See comments under procedure 8.

#### **Procedure 10. Receive random inspection from the municipality during construction**

**Time:** 1 day

**Cost:** None

**Comments:** See comments under procedure 8.

#### **Procedure 11. Receive random inspection from the municipality during construction**

**Time:** 1 day

**Cost:** None

**Comments:** See comments under procedure 8.

#### **Procedure 12. Receive random inspection from the municipality during construction**

**Time:** 1 day

**Cost:** None

**Comments:** See comments under procedure 8.

#### **Procedure 13. Receive random inspection from the municipality during construction**

**Time:** 1 day

**Cost:** None

**Comments:** See comments under procedure 8.

#### **Procedure 14. Receive random inspection from the municipality during construction**

**Time:** 1 day

**Cost:** None

**Comments:** See comments under procedure 8.

#### **Procedure 15. Receive random inspection from the municipality during construction**

**Time:** 1 day

**Cost:** None

**Comments:** See comments under procedure 8.

#### **Procedure 16. Receive random inspection from the municipality during construction**

**Time:** 1 day

**Cost:** None

**Comments:** See comments under procedure 8.

#### **Procedure 17. Receive random inspection from the municipality during construction**

**Time:** 1 day

**Cost:** None

**Comments:** See comments under procedure 8.

#### **Procedure 18. Receive random inspection from the municipality during construction**

**Time:** 1 day

**Cost:** None

**Comments:** See comments under procedure 8.

### Procedure 19. Receive random inspection from the municipality during construction

**Time:** 1 day

**Cost:** None

**Comments:** See comments under procedure 8.

### Procedure 20. Receive random inspection from the municipality during construction

**Time:** 1 day

**Cost:** None

**Comments:** See comments under procedure 8.

### Procedure 21. Receive random inspection from the municipality during construction

**Time:** 1 day

**Cost:** None

**Comments:** See comments under procedure 8.

### Procedure 22. Drill a well for water supply

**Time:** 10 days

**Cost:** AFN 208,883

**Comments:** Water supplies in Herat are obtained from groundwater sources and manmade wells. BuildCo must dig its own well. Builders normally drill up to 50 meters deep, though this depends on the needs of the project. The well is drilled by BuildCo or by a private contractor.

The time and cost for drilling a well depend on the type of soil. In Herat drilling a well generally takes around 10 days and costs around US\$70 per meter, or around US\$3,500 for a 50-meter well.

### Procedure 23. Build a septic tank for sewage

**Time:** 30 days

**Cost:** AFN 358,084

**Comments:** Because Herat lacks a comprehensive sewerage system, BuildCo must build a septic tank. The cost depends on the size of the septic tank and the quality of construction. On average in Herat, building a septic tank costs around US\$6,000 and takes one month. The construction is done by BuildCo or by a private contractor.

#### DEALING WITH CONSTRUCTION PERMITS

#### Kabul (Kabul)

Warehouse value: AFN 1,879,943 (US\$31,500)

Data as of: June 2016

### Procedure 1. Obtain copy of the land deed

**Time:** 3 days

**Cost:** AFN 3,000

**Comments:** A copy of the land deed is needed to apply for a building permit in Kabul. But after decades of conflict most people have lost their deeds. When a deed is lost, the owner must advertise the case through radio or newspapers and then request a duplicate deed from the court.

BuildCo must file a written claim with the court of appeals of Kabul stating that it has lost its deed. The claim must include the property specification, deed number, district number and the number of the court that issued the deed.

### Procedure 2. Receive inspection of the land plot

**Time:** 1 day

**Cost:** None

**Comments:** Accompanied by a representative from BuildCo, a field engineer from the municipality's technical department visits the land plot to check whether it is in a residential or commercial area, to measure its size and to verify its boundaries.

### Procedure 3. Obtain a sketch of the land plot and preliminary approval from the municipality

**Time:** 2 days

**Cost:** None

**Comments:** After the inspection the engineer prepares a sketch of the land plot and brings it back to the municipality's technical department.

### Procedure 4. Obtain zoning approval from the municipality

**Time:** 7 days

**Cost:** None

**Comments:** BuildCo must obtain a zoning approval from the municipality to ensure that the proposed building is in compliance with the Kabul master plan. The master plan is 15–20 years old and has not been recently updated. If everything is in order and BuildCo pays a bribe, it may receive the zoning approval in a few days. Without a bribe, approval takes about a week. The *Doing Business* project does not record informal payments.

### Procedure 5. Obtain the building permit from the municipality

**Time:** 300 days

**Cost:** AFN 358,084

**Comments:** BuildCo submits a copy of the land deed, the zoning approval, the architectural drawings and proof of its employees' qualifications. If the property is in the Kabul master plan, the designs are sent to the engineering department and a committee approves them. BuildCo then pays the building permit fee. The municipality sends copies of the approval to various municipal departments (such as the police). The building permit fee is not

standardized and depends on the parameters of the project.

The building permit approval process takes as long as a year if BuildCo does not pay bribes and about a month if it does. The *Doing Business* project does not record informal payments.

### Procedure 6. Receive random inspection from the municipality at the start of construction

**Time:** 1 day

**Cost:** None

**Comments:** At the start of construction, officials from the municipality's district office, the construction control department and the district police visit the construction site to verify the construction permit. If the builder has a valid building permit, it can continue the work; otherwise the project is stopped unless the builder pays bribes. The *Doing Business* project does not record informal payments.

### Procedure 7. Receive random inspection from the police during construction

**Time:** 1 day

**Cost:** None

**Comments:** Either the municipality or the police department typically visits the construction site every month (for an average of about six inspections for a 30-week project). Inspectors often demand bribes of AFN 5,000 to AFN 10,000 at each visit. The *Doing Business* project does not record informal payments.

### Procedure 8. Receive random inspection from the municipality during construction

**Time:** 1 day

**Cost:** None

**Comments:** See comments under procedure 7.

### Procedure 9. Receive random inspection from the police during construction

**Time:** 1 day

**Cost:** None

**Comments:** See comments under procedure 7.

### Procedure 10. Receive random inspection from the municipality during construction

**Time:** 1 day

**Cost:** None

**Comments:** See comments under procedure 7.

### Procedure 11. Receive random inspection from the police during construction

**Time:** 1 day

**Cost:** None

**Comments:** See comments under procedure 7.

**Procedure 12. Drill a well for water supply****Time:** 7 days**Cost:** AFN 298,404

**Comments:** Water supplies in Kabul are obtained from groundwater sources and manmade wells. BuildCo must dig its own well. The well is drilled by BuildCo or by a private contractor.

Builders normally drill up to 50 meters deep. The cost can range from US\$10 to US\$1,000 per meter depending on the quality of the soil. In Kabul the cost for drilling is generally around US\$100 per meter, so drilling a 50-meter well costs around US\$5,000.

**Procedure 13. Build a septic tank for sewage****Time:** 30 days**Cost:** AFN 895,211

**Comments:** Because Kabul lacks a comprehensive sewerage system, BuildCo must build a septic tank. The cost depends on the size of the septic tank and the quality of construction. On average in Kabul, building a septic tank costs around US\$15,000 and takes 30 days. The construction is done by BuildCo or by a private contractor.

## DEALING WITH CONSTRUCTION PERMITS

**Kandahar (Kandahar)**

Warehouse value: AFN 1,879,943 (US\$31,500)

Data as of: November 2016

**Procedure 1. Submit a building permit application to the mayor****Time:** 11 days**Cost:** None

**Comments:** To obtain a building permit, BuildCo must submit an application to the municipality, addressed to the mayor, with a copy of the land deed attached. The mayor sends the application to the property commission. This commission, headed by the mayor, is made up of representatives of several municipal departments, such as the construction department, technical department and property department.

The property commission assigns a field engineer to inspect the land plot. Because there are only a few field engineers, the wait time for this inspection is usually a week.

**Procedure 2. Receive inspection of the land plot****Time:** 1 day**Cost:** None

**Comments:** Accompanied by a representative from BuildCo, the field engineer visits the land plot. The engineer takes a GIS picture of the plot, completes necessary measurements and marks

the boundaries in order to prepare a sketch of the plot.

**Procedure 3. Obtain a sketch of the land plot and preliminary approval from the municipality****Time:** 3 days**Cost:** None

**Comments:** After the inspection the engineer prepares a sketch of the land plot and attaches it to the application material. The relevant department of the municipality then provides a preliminary approval of the application and returns the package to BuildCo to submit to the Department of Urban Development (DoUD, the local branch of the Ministry of Urban Development) for further processing.

**Procedure 4. Obtain preliminary approval from the Department of Urban Development****Time:** 25 days**Cost:** AFN 15,836

**Comments:** BuildCo submits the application to the DoUD, which checks the master plan to see whether the location is suitable for a warehouse (that is, whether the plot is in a residential or commercial area). If the conclusion is positive, the DoUD provides a checklist of the documents to be submitted:

- Sketch of the land plot
- Architectural drawings
- Map or plan of the utilities (electricity, water, sewerage and ventilation systems)
- Estimate of the costs of the project
- Copy of the diploma of the project designer or engineer responsible for the architectural and engineering drawings
- Copy of the construction company license issued by the Afghanistan Investment Support Agency

Once BuildCo submits all the required documents to the DoUD, its architecture department checks the drawings of both the exterior (roads, sidewalks) and the interior (rooms, corridors). If any mistakes are found, the drawings are sent back to BuildCo for correction.

The drawings are then reviewed by the DoUD construction department, which checks the structural strength of the building, and by the DoUD technical department, which checks the plans for the utilities.

The DoUD finance department calculates the fee for review of the drawings according to a fee schedule and gives the applicant an invoice to be paid at Da Afghanistan Bank. The formula for the fee (for commercial buildings) is as follows: volume of the building (in cubic meters) × AFN 4,700 × 0.035 × 0.02. For the case study warehouse, with a volume of 3,901.5 cubic meters, the fee is AFN 12,836.

In addition, the DoUD charges the applicant two days' wages for the technical engineer who reviewed the technical plans, at AFN 1,500 a day. Overall, BuildCo has to pay AFN 15,836 (AFN 12,836 reviewing fee + AFN 3,000 engineer's fee).

Once all the drawings are reviewed, the DoUD prints out the site plan and specifies the building parameters. BuildCo signs a statement on the site plan committing that it will build only on the specified land plot and according to the approved plans. The DoUD makes three copies of this document—one for the municipality's construction department, the second for BuildCo and the last for its records.

If everything is correct, the DoUD issues its approval in three to four weeks, after which BuildCo must apply to the municipality for final approval. Approval takes less time if the applicant pays bribes or is affiliated with influential public figures such as members of Parliament or the provincial council. The *Doing Business* project does not record informal payments.

**Procedure 5. Obtain the building permit from the municipality****Time:** 30 days**Cost:** AFN 39,018

**Comments:** After the DoUD approves the plans, BuildCo brings the approved package back to the municipality's construction department. The construction department calculates the building permit fee based on the area of the proposed building (in square meters). BuildCo pays the fee and takes the receipt to the head of the department, who submits the package of documents to the mayor for approval. Once the mayor approves the building permit, the municipality sends the approval copies to various municipal departments (such as the police). BuildCo needs to call the assigned engineer at the municipality to provide notification of the start of construction.

The building permit fee for commercial buildings is AFN 30 per square meter. For the case study warehouse, with 1,300.6 square meters, the building permit fee is therefore AFN 39,018.

**Procedure 6. Receive random inspection from the municipality during construction****Time:** 1 day**Cost:** None

**Comments:** The municipality conducts several inspections during construction. These inspections are typically unscheduled and conducted without prior notice. While their frequency depends on the project and the location of the construction site, the inspections occur at least once every two months on average over a seven-month construction period. There are 10 engineers at the municipality, and each

construction site is assigned to one of them. Bribes are very common during inspections. The *Doing Business* project does not record informal payments.

### Procedure 7. Receive random inspection from the municipality during construction

**Time:** 1 day

**Cost:** None

**Comments:** See comments under procedure 6.

### Procedure 8. Receive random inspection from the municipality during construction

**Time:** 1 day

**Cost:** None

**Comments:** See comments under procedure 6.

### Procedure 9. Receive random inspection from the municipality during construction

**Time:** 1 day

**Cost:** None

**Comments:** See comments under procedure 6.

### Procedure 10. Receive random inspection from the Department of Urban Development during construction

**Time:** 1 day

**Cost:** AFN 700

**Comments:** The DoUD inspects the construction around three to four times during the construction period. Each inspection costs AFN 700 if the building is within the administrative borders of the city, and AFN 1,000 if it is outside these borders.

### Procedure 11. Receive random inspection from the Department of Urban Development during construction

**Time:** 1 day

**Cost:** AFN 700

**Comments:** See comments under procedure 10.

### Procedure 12. Receive random inspection from the Department of Urban Development during construction

**Time:** 1 day

**Cost:** AFN 700

**Comments:** See comments under procedure 10.

### Procedure 13. Drill a well for water supply

**Time:** 4 days

**Cost:** AFN 119,361

**Comments:** Water supplies in Kandahar are obtained from groundwater sources and manmade wells. BuildCo must dig its own well. Builders normally drill up to 30–50 meters deep,

though this depends on the needs of the project. The well is drilled by BuildCo or by a private contractor.

The cost can vary depending on the quality of the soil. In Kandahar drilling a well generally costs around US\$40 per meter, or around US\$2,000 for a 50-meter well. A simpler well might cost between US\$700 and US\$1,000.

### Procedure 14. Build a septic tank for sewage

**Time:** 15 days

**Cost:** AFN 358,084

**Comments:** Because Kandahar lacks a comprehensive sewerage system, BuildCo must build a septic tank. The cost depends on the size of the septic tank and the quality of construction. On average in Kandahar, building a septic tank costs around US\$6,000 and takes 15 days. The construction is done by BuildCo or by a private contractor.

#### DEALING WITH CONSTRUCTION PERMITS

#### *Nangarhar (Jalalabad)*

*Warehouse value: AFN 1,879,943 (US\$31,500)*

*Data as of: November 2016*

### Procedure 1. Submit a building permit application to the mayor

**Time:** 5 days

**Cost:** None

**Comments:** BuildCo prepares an application letter to the mayor indicating that it is the legitimate owner of the land plot and specifying the parameters of the proposed building. BuildCo attaches a copy of the land deed and submits the application to the municipality's administration department. The mayor signs off on the application and forwards it to the property division of the municipality's technical and sectoral department (previously the construction department). The property division checks the land deed against the archives to verify its accuracy and confirm that the land belongs to the applicant. The property division then sends the application to the field engineer in the technical and sectoral department who is responsible for the relevant district.

### Procedure 2. Receive inspection of the land plot

**Time:** 1 day

**Cost:** None

**Comments:** Accompanied by a representative from BuildCo, the field engineer visits the land plot to check whether it is in a residential or commercial area, to measure its size and to verify its boundaries.

### Procedure 3. Obtain a sketch of the land plot and preliminary approval from the municipality

**Time:** 7 days

**Cost:** None

**Comments:** After the inspection the engineer prepares a sketch of the land plot and brings it back to the municipality's technical and sectoral department. The head of the department writes an official letter referring the application to the Department of Urban Development (DoUD, the local branch of the Ministry of Urban Development) while keeping a copy for its archives. BuildCo usually takes the application to the DoUD itself to accelerate the process.

### Procedure 4. Obtain preliminary approval from the Department of Urban Development

**Time:** 30 days

**Cost:** AFN 15,836

**Comments:** BuildCo submits the application to the DoUD. The DoUD checks the master plan to see whether the location is suitable for a warehouse (that is, whether the plot is in a residential or commercial area). If the conclusion is positive, the DoUD provides a checklist of the documents to be submitted:

- Sketch of the land plot
- Architectural drawings
- Map or plan of the utilities (electricity, water, sewerage and ventilation systems)
- Estimate of the costs of the project
- Copy of the diploma of the project designer or engineer responsible for the architectural and engineering drawings
- Copy of the construction company license issued by the Afghanistan Investment Support Agency

Once BuildCo submits all the required documents to the DoUD, its architecture department checks the drawings of both the exterior (roads, sidewalks) and the interior (rooms, corridors). If any mistakes are found, the drawings are sent back to BuildCo for correction.

The drawings are then reviewed by the DoUD construction department, which checks the structural strength of the building, and by the DoUD technical department, which checks the plans for the utilities.

The DoUD finance department calculates the fee for review of the drawings according to a fee schedule and gives the applicant an invoice to be paid at Da Afghanistan Bank. The formula for the fee (for commercial buildings) is as follows: volume of the building (in cubic meters) × AFN 4,700 × 0.035 × 0.02.

For the case study warehouse, with a volume of 3,901.5 cubic meters, the fee is AFN 12,836.



In addition, the DoUD charges the applicant two days' wages for the technical engineer who reviewed the technical plans, at AFN 1,500 a day. Overall, BuildCo must pay AFN 15,836 (AFN 12,836 reviewing fee + AFN 3,000 engineer's fee).

Once all the drawings are reviewed, the DoUD prints out the site plan and specifies the building parameters. BuildCo signs a statement on the site plan committing that it will build only on the specified land plot and according to the approved plans. The DoUD makes three copies of this document—one for the municipality, the second for BuildCo and the last for its records.

#### **Procedure 5. Pay the building permit fee and obtain the building permit**

**Time:** 10 days

**Cost:** AFN 32,187

**Comments:** Once the fees of the DoUD are paid, BuildCo takes the package of approved documents back to the municipality's technical and sectoral department. The municipality calculates the building permit fee on the basis of the volume of the building.

The formula for the building permit fee is as follows: volume of the building (in cubic meters)  $\times$  AFN 750  $\times$  0.01 + 10%. For the case study warehouse, with a volume of 3,901.5 cubic meters, the fee is AFN 32,187.

Once BuildCo pays the fee and brings back the receipt, the municipality issues an approval letter in three copies—one for BuildCo, one for the relevant district and another for the relevant police department. The letter provides notification that the building permit has been issued and that construction can begin.

#### **Procedure 6. Receive random inspection from the municipality during construction**

**Time:** 1 day

**Cost:** None

**Comments:** The inspection engineer assigned by the municipality typically visits the construction site two or three times a month to check the progress of the building. Because of the limited number of inspectors at the municipality, however, only about 70% of buildings are being inspected.

The inspection engineer records each inspection in a journal. This journal is not submitted to any agency after the construction, but is used to keep track of inspections and for future reference in case problems arise with the quality of the construction.

#### **Procedure 7. Receive random inspection from the municipality during construction**

**Time:** 1 day

**Cost:** None

**Comments:** See comments under procedure 6.

#### **Procedure 8. Receive random inspection from the municipality during construction**

**Time:** 1 day

**Cost:** None

**Comments:** See comments under procedure 6.

#### **Procedure 9. Receive random inspection from the municipality during construction**

**Time:** 1 day

**Cost:** None

**Comments:** See comments under procedure 6.

#### **Procedure 10. Receive random inspection from the municipality during construction**

**Time:** 1 day

**Cost:** None

**Comments:** See comments under procedure 6.

#### **Procedure 11. Receive random inspection from the municipality during construction**

**Time:** 1 day

**Cost:** None

**Comments:** See comments under procedure 6.

#### **Procedure 12. Receive random inspection from the municipality during construction**

**Time:** 1 day

**Cost:** None

**Comments:** See comments under procedure 6.

#### **Procedure 13. Receive random inspection from the municipality during construction**

**Time:** 1 day

**Cost:** None

**Comments:** See comments under procedure 6.

#### **Procedure 14. Receive random inspection from the municipality during construction**

**Time:** 1 day

**Cost:** None

**Comments:** See comments under procedure 6.

#### **Procedure 15. Receive random inspection from the municipality during construction**

**Time:** 1 day

**Cost:** None

**Comments:** See comments under procedure 6.

#### **Procedure 16. Receive random inspection from the municipality during construction**

**Time:** 1 day

**Cost:** None

**Comments:** See comments under procedure 6.

#### **Procedure 17. Receive random inspection from the municipality during construction**

**Time:** 1 day

**Cost:** None

**Comments:** See comments under procedure 6.

#### **Procedure 18. Receive random inspection from the municipality during construction**

**Time:** 1 day

**Cost:** None

**Comments:** See comments under procedure 6.

#### **Procedure 19. Receive random inspection from the municipality during construction**

**Time:** 1 day

**Cost:** None

**Comments:** See comments under procedure 6.

#### **Procedure 20. Drill a well for water supply**

**Time:** 7 days

**Cost:** AFN 179,042

**Comments:** Water supplies in Jalalabad are obtained from groundwater sources and manmade wells. BuildCo must dig its own well. Builders normally drill up to 50 meters deep, though this depends on the location and needs of the project. The well is drilled by BuildCo or by a private contractor.

The cost can vary depending on the quality of the soil. On average in Jalalabad, drilling a well costs around US\$60 per meter, or about US\$3,000 for a 50-meter well.

#### **Procedure 21. Build a septic tank for sewage**

**Time:** 30 days

**Cost:** AFN 417,765

**Comments:** Because Jalalabad lacks a comprehensive sewerage system, BuildCo must build a septic tank. In Jalalabad septic tanks are normally 3 or 4 cubic meters. Building a septic

tank of this size costs around US\$7,000 and takes about one month. The construction is done by BuildCo or by a private contractor.

## LIST OF PROCEDURES GETTING ELECTRICITY

### Balkh (Mazar-i-Sharif)

Utility: Da Afghanistan Breshna Sherkat (DABS)  
Data as of: November 2016

#### Procedure 1. Submit application for a new electricity connection to the DABS office in Mazar-i-Sharif and await external site inspection

**Time:** 10 days

**Cost:** None

**Comments:** The customer submits a formal request for a new connection to the DABS office in Mazar-i-Sharif. The application form must include information on the property and on the type of activity requiring power.

#### Procedure 2. Receive site inspection by the DABS energy control section in Mazar-i-Sharif

**Time:** 1 day

**Cost:** None

**Comments:** The DABS energy control section in Mazar-i-Sharif performs a site inspection to verify the feasibility of the new connection. Inspectors assess whether the power station has the capacity for the new connection. The customer is required to be present during the inspection. If the outcome of the inspection is positive, the head of the DABS operations department in Mazar-i-Sharif provides the technical details to DABS headquarters in Kabul.

#### Procedure 3. Obtain approval from DABS headquarters in Kabul and pay the connection fee

**Time:** 14 days

**Cost:** AFN 84,100 (AFN 84,000 connection fee [AFN 600 per kilovolt-ampere] + AFN 100 application fee)

**Comments:** DABS headquarters grants the approval for the substation distribution transformer and refers the applicant to the DABS office in Mazar-i-Sharif for further processing. The customer pays the connection fee, which is established by DABS headquarters in Kabul and applies to all cities. The customer makes the payment in a bank and takes the receipt back to DABS. For three-phase and single-phase commercial connections DABS charges a connection fee of AFN 600 per kilovolt-ampere (kVA). DABS does not charge a security deposit.

#### Procedure 4. Purchase the transformer and carry out external works

**Time:** 50 days

**Cost:** AFN 596,807 (US\$10,000) (Cost for the connection works, including the transformer and labor)

**Comments:** The DABS planning and engineering section in Mazar-i-Sharif appoints a team of three inspectors to estimate the size of the transformer needed and provide the customer with a list of the required materials. The customer can either get all connection materials through DABS or buy them on the private market. The external connection works can be carried out by the customer's contractor or by DABS. In the majority of cases in Mazar-i-Sharif the connection works are carried out by DABS; in these cases the customer pays 10% of the amount spent to purchase the materials for the connection to the utility.

The items to be purchased include:

- 140-kVA transformer (about US\$4,000)
- 630 A switchboard (US\$1,000)
- Three dry switches (US\$600 each)
- Pillars for overhead connection (US\$2,500)
- Other materials (fuse, lightning arresters, steel cable for overhead connection and the like)

#### Procedure 5. \* Obtain approval of the transformer and materials

**Time:** 14 days

**Cost:** None

**Comments:** The customer must obtain clearance of the transformer and materials from the utility. The three inspectors appointed by the DABS planning and engineering section in Mazar-i-Sharif check and approve the items purchased by the customer. Once the materials have been approved, the connection works can start.

#### Procedure 6. Purchase the meter from DABS and obtain installation permission

**Time:** 14 days

**Cost:** AFN 55,000 (Cost of the meter, related material, labor and installation works)

**Comments:** In Mazar-i-Sharif the meter can be purchased either on the private market or from DABS; purchasing it from DABS is the more common practice.

#### Procedure 7. Receive the meter installation by DABS and then electricity flow

**Time:** 5 days

**Cost:** None

**Comments:** The DABS technical department installs the meter.

Once the new line connection is completed, the electricity supply is turned back on and the transmission line is energized. The dry switch on

the medium-voltage side is turned on to check the meter and the transformer. Then the main switch on the lower-voltage side is turned on to inspect the condition of the meter by increasing and decreasing the load for the next two hours. If the system is working well, the meter is secured (locked) and the customer receives written permission to use electricity.

Once the flow starts, the customer must pay a charge of 1% of the connection fee.

## GETTING ELECTRICITY

### Herat (Herat)

Utility: Da Afghanistan Breshna Sherkat (DABS)  
Data as of: November 2016

#### Procedure 1. Submit application for a new electricity connection to DABS headquarters in Kabul and await external site inspection

**Time:** 30 days

**Cost:** AFN 5,000 (Cost of a round trip to Kabul)

**Comments:** For a three-phase connection customers in Herat must submit their application to DABS headquarters in Kabul. For security reasons most travel to Kabul by plane.

In Herat electricity is not currently distributed except in industrial parks.

#### Procedure 2. Receive site inspection by the DABS operations department in Herat

**Time:** 1 day

**Cost:** None

**Comments:** The DABS operations department in Herat performs a site inspection to verify the feasibility of the new connection. Inspectors assess whether the power station has the capacity for the new connection. The customer is required to be present during the inspection. If the outcome of the inspection is positive, the head of the operations department provides the technical details to DABS headquarters in Kabul.

#### Procedure 3. Obtain approval from DABS headquarters in Kabul and pay the connection fee

**Time:** 30 days

**Cost:** AFN 89,100 (AFN 84,000 connection fee [AFN 600 per kilovolt-ampere] + AFN 100 application fee + AFN 5,000 for a round trip to Kabul)

**Comments:** DABS headquarters grants the approval for the substation distribution transformer and refers the applicant to the DABS office in Herat for further processing. Customers in Herat usually travel to Kabul to collect the approval. The customer pays the connection fee, which is established by DABS headquarters in Kabul and applies to all cities. The customer makes the payment in a bank and

\* Simultáneo con el trámite anterior.

takes the receipt back to DABS. For three-phase and single-phase commercial connections DABS charges a connection fee of AFN 600 per kilovolt-ampere (kVA). DABS does not charge a security deposit.

#### Procedure 4. Purchase the transformer and carry out external works

**Time:** 60 days

**Cost:** AFN 596,807 (US\$10,000) (Cost for the connection works, including the transformer and labor)

**Comments:** The DABS planning and engineering department in Herat appoints three inspectors: one from the planning and engineering department itself, one from the network department (Shabaka) and one from the grid extension department. The inspectors estimate the size of the transformer needed and provide the customer with a list of the required materials. The customer can either obtain all connection materials through DABS or buy them on the private market. Once the materials have been approved, the transformer can be installed. The external connection works can be carried out by the customer's contractor or by DABS. In the majority of cases in Herat the works are carried out by the customer's contractor. If they are done by DABS, the utility would charge 10% of the amount that the customer spent to purchase all the necessary items.

The items to be purchased include the following:

- 140-kVA transformer (about US\$4,000)
- 630 A switchboard (US\$1,000)
- Three dry switches (US\$600 each)
- Pillars for overhead connection (US\$2,500)
- Other materials (fuse, lightning arresters, steel cable for overhead connection and the like)

#### Procedure 5.\* Obtain approval of the transformer and materials

**Time:** 14 days

**Cost:** None

**Comments:** The customer must obtain clearance of the transformer and materials from the utility. The DABS operations department in Herat assigns three engineers to check and approve the items purchased by the customer. The engineers send a report to the head of the operations department with the results of this inspection.

#### Procedure 6. Purchase the meter and obtain installation permission

**Time:** 14 days

**Cost:** AFN 55,000 (Cost of the meter, related material, labor and installation works)

**Comments:** The customer needs to buy a meter. In Herat the meter cannot be obtained from the utility; instead, the customer must purchase it on the private market.

#### Procedure 7. Receive the meter installation and then electricity flow

**Time:** 5 days

**Cost:** None

**Comments:** The DABS technical department checks the installation of the transformer and the connection to the network. In Herat the meter is installed by the customer's contractor.

Once the new line connection is completed, the electricity supply is turned back on and the transmission line is energized. The dry switch on the medium-voltage side is turned on to check the meter and the transformer. Then the main switch on the lower-voltage side is turned on to inspect the condition of the meter by increasing and decreasing the load for the next two hours. If the system is working well, the meter is secured (locked) and the customer receives written permission to use electricity.

Once the flow starts, the customer must pay a charge of 1% of the connection fee.

#### GETTING ELECTRICITY

##### Kabul (Kabul)

*Utility: Da Afghanistan Breshna Sherkat (DABS)  
Data as of: June 2016*

#### Procedure 1. Submit application for a new electricity connection to DABS and await external site inspection

**Time:** 21 days

**Cost:** AFN 84,100 (AFN 84,000 connection fee [AFN 600 per kilovolt-ampere] + AFN 100 application fee)

**Comments:** The customer submits a formal request for a new connection to the DABS electricity department in Kabul. The department conducts a site visit to check the feasibility of the project. If there is enough capacity available, the connection is granted.

For three-phase and single-phase commercial connections DABS charges a connection fee of AFN 600 per kilovolt-ampere (kVA). DABS does not charge a security deposit.

#### Procedure 2. Receive site inspection by DABS and await estimate

**Time:** 14 days

**Cost:** None

**Comments:** Several sections of the DABS electricity department are involved in the site inspection, and they provide a time schedule for conducting the visit. The customer is required to be present for the site inspection. Once this inspection is completed, the customer needs to pick up a letter with the estimated cost of the connection.

#### Procedure 3. Purchase the transformer and carry out external works

**Time:** 60 days

**Cost:** AFN 716,169 (US\$12,000) (Cost for the connection works, including the transformer and labor)

**Comments:** DABS appoints three inspectors to estimate the size of the substation distribution transformer needed and provide the customer with a list of the required materials. The customer can either obtain all connection materials through DABS or buy them on the private market. Once the materials have been approved, the transformer can be installed. The external connection works can be carried out by the customer's contractor or by DABS. In the majority of cases in Kabul the works are carried out by the customer's contractor. If they are done by DABS, the utility would charge 10% of the amount that the customer spent to purchase all the necessary items.

The items to be purchased include the following:

- 140-kVA transformer (about US\$4,000)
- 630 A switchboard (US\$1,000)
- Three dry switches (US\$600 each)
- Pillars for overhead connection (US\$2,500)
- Other materials (fuse, lightning arresters, steel cable for overhead connection and the like)

#### Procedure 4.\* Obtain approval of the transformer and materials

**Time:** 14 days

**Cost:** None

**Comments:** The customer must obtain clearance of the transformer and materials from the utility. The DABS operations department assigns three engineers to check and approve the items purchased by the customer. The engineers send a report to the head of the operations department with the results of the inspection.

#### Procedure 5. Purchase the meter from DABS and obtain installation permission

**Time:** 14 days

**Cost:** AFN 55,000 (Cost of the meter, related material, labor and installation works)

**Comments:** The customer needs to buy a meter. In Kabul the meter can be purchased either on the private market or from DABS; purchasing it from DABS is the more common practice.

#### Procedure 6. Receive the meter installation by DABS and then electricity flow

**Time:** 5 days

**Cost:** None

**Comments:** The DABS technical department checks the installation of the transformer and the connection to the network and installs the meter.

\*Simultáneo con el trámite anterior.

Once the new line connection is completed, the electricity supply is turned back on and the transmission line is energized. The dry switch on the medium-voltage side is turned on to check the meter and the transformer. Then the main switch on the lower-voltage side is turned on to inspect the condition of the meter by increasing and decreasing the load for the next two hours. If the system is working well, the meter is secured (locked) and the customer receives written permission to use electricity.

Once the flow starts, the customer must pay a charge of 1% of the connection fee.

#### GETTING ELECTRICITY

### Kandahar (Kandahar)

Utility: Da Afghanistan Breshna Sherkat (DABS)  
Data as of: November 2016

#### Procedure 1. Submit application for a new electricity connection to DABS headquarters in Kabul and await external site inspection

**Time:** 15 days

**Cost:** None

**Comments:** The customer mails a formal request for a new connection to DABS headquarters in Kabul. The application form must include information on the property and on the type of activity requiring power.

#### Procedure 2. Receive site inspection by the DABS energy control section in Kandahar

**Time:** 1 day

**Cost:** None

**Comments:** The DABS energy control section in Kandahar performs a site inspection to verify the feasibility of the new connection. Inspectors assess whether the power station has the capacity for the new connection. The customer is required to be present during the inspection. If the outcome of the inspection is positive, the head of the DABS operations department in Kandahar provides the technical details to DABS headquarters in Kabul. In most cases in Kandahar the customer travels to Kabul to submit the technical details to DABS headquarters in person.

#### Procedure 3. Obtain approval from DABS headquarters in Kabul and pay the connection fee

**Time:** 14 days

**Cost:** AFN 89,100 (AFN 84,000 connection fee [AFN 600 per kilovolt-ampere] + AFN 100 application fee + AFN 5,000 for a round trip to Kabul)

**Comments:** DABS headquarters grants the approval for the substation distribution transformer and refers the applicant to the DABS office in Kandahar for further processing.

The customer pays the connection fee, which is established by DABS headquarters in Kabul and applies to all cities. The customer makes the payment in a bank and takes the receipt back to DABS. For three-phase and single-phase commercial connections DABS charges a connection fee of AFN 600 per kilovolt-ampere (kVA). DABS does not charge a security deposit.

#### Procedure 4. Purchase the transformer and carry out external works

**Time:** 60 days

**Cost:** AFN 596,807 (US\$10,000) (Cost for the connection works, including the transformer and labor)

**Comments:** The DABS planning and engineering department in Kandahar appoints three inspectors: one from the planning and engineering department itself, one from the network department (Shabaka) and one from the grid extension department. The inspectors estimate the size of the transformer needed and provide the customer with a list of the required materials. The customer can either obtain all connection materials through DABS or buy them on the private market. Once the materials have been approved, the transformer can be installed. The external connection works can be carried out by the customer's contractor or by DABS. In the majority of cases in Kandahar the works are carried out by the customer's contractor. If they are done by DABS, the utility would charge 10% of the amount that the customer spent to purchase all the necessary items.

The items to be purchased include the following:

- 140-kVA transformer (about US\$4,000)
- 630 A switchboard (US\$1,000)
- Three dry switches (US\$600 each)
- Pillars for overhead connection (US\$2,500)
- Other materials (fuse, lightning arresters, steel cable for overhead connection and the like)

#### Procedure 5.\* Obtain approval of the transformer and materials

**Time:** 14 days

**Cost:** None

**Comments:** The customer must obtain clearance of the transformer and materials from the utility. The three inspectors appointed by the DABS planning and engineering department in Kandahar check and approve the items purchased by the customer. Once the materials have been approved, the connection works can start.

#### Procedure 6. Purchase the meter from DABS and obtain installation permission

**Time:** 14 days

**Cost:** AFN 55,000 (Cost of the meter, related material, labor and installation works)

**Comments:** In Kandahar the meter can be purchased either on the private market or from DABS; purchasing it from DABS is the more common practice.

#### Procedure 7. Receive the meter installation by DABS and then electricity flow

**Time:** 5 days

**Cost:** None

**Comments:** The DABS technical department installs the meter.

Once the new line connection is completed, the electricity supply is turned back on and the transmission line is energized. The dry switch on the medium-voltage side is turned on to check the meter and the transformer. Then the main switch on the lower-voltage side is turned on to inspect the condition of the meter by increasing and decreasing the load for the next two hours. If the system is working well, the meter is secured (locked) and the customer receives written permission to use electricity.

Once the flow starts, the customer must pay a charge of 1% of the connection fee.

#### GETTING ELECTRICITY

### Nangarhar (Jalalabad)

Utility: Da Afghanistan Breshna Sherkat (DABS)  
Data as of: November 2016

#### Procedure 1. Submit application for a new electricity connection to DABS headquarters in Kabul and await external site inspection

**Time:** 10 days

**Cost:** None

**Comments:** The customer mails a formal request for a new connection to DABS headquarters in Kabul. The application form must include information on the property and on the type of activity requiring power.

#### Procedure 2. Receive site inspection by the DABS operations department in Jalalabad

**Time:** 1 day

**Cost:** None

**Comments:** The DABS operations department in Jalalabad performs a site inspection to verify the feasibility of the new connection. Inspectors assess whether the power station has the capacity for the new connection. The customer is required to be present during the inspection. If the outcome of the inspection is positive, the head of the operations department provides the technical details to DABS headquarters in Kabul.

\* Simultáneo con el trámite anterior.

### Procedure 3. Obtain approval from DABS headquarters in Kabul and pay the connection fee

**Time:** 14 days

**Cost:** AFN 84,100 (AFN 84,000 connection fee [AFN 600 per kilovolt-ampere] + AFN 100 application fee)

**Comments:** DABS headquarters grants the approval for the substation distribution transformer and refers the applicant to the DABS office in Jalalabad for further processing. The customer pays the connection fee, which is established by DABS headquarters in Kabul and applies to all cities. The customer makes the payment in a bank and takes the receipt back to DABS. For three-phase and single-phase commercial connections DABS charges a connection fee of AFN 600 per kilovolt-ampere (kVA). DABS does not charge a security deposit.

### Procedure 4. Purchase the transformer and carry out external works

**Time:** 60 days

**Cost:** AFN 596,807 (US\$10,000) (Cost for the connection works, including the transformer and labor)

**Comments:** The DABS planning and engineering department in Jalalabad appoints three inspectors: one from the planning and engineering department itself, one from the network department (Shabaka) and one from the grid extension department. The inspectors estimate the size of the transformer needed and provide the customer with a list of the required materials. The customer can either obtain all connection materials through DABS or buy them on the private market. Once the materials have been approved, the transformer can be installed. The external connection works can be carried out by the customer's contractor or by DABS. In the majority of cases in Jalalabad the works are carried out by the customer's contractor. If they are done by DABS, the utility would charge 10% of the amount that the customer spent to purchase all the necessary items.

The items to be purchased include the following:

- 140-kVA transformer (about US\$4,000)
- 630 A switchboard (US\$1,000)
- Three dry switches (US\$600 each)
- Pillars for overhead connection (US\$2,500)
- Other materials (fuse, lightning arresters, steel cable for overhead connection and the like)

### Procedure 5.\* Obtain approval of the transformer and materials

**Time:** 14 days

**Cost:** None

**Comments:** The customer must obtain clearance of the transformer and materials from the utility. The DABS operations department in Jalalabad

assigns three engineers to check and approve the items purchased by the customer. The engineers send a report to the head of the operations department with the results of this inspection.

### Procedure 6. Purchase the meter from DABS and obtain installation permission

**Time:** 14 days

**Cost:** AFN 55,000 (Cost of the meter, related material, labor and installation works)

**Comments:** The customer needs to buy a meter. In Jalalabad the meter can be purchased either on the private market or from DABS; purchasing it from DABS is the more common practice.

### Procedure 7. Receive the meter installation by DABS and then electricity flow

**Time:** 5 days

**Cost:** None

**Comments:** The DABS technical department checks the installation of the transformer and the connection to the network and installs the meter.

Once the new line connection is completed, the electricity supply is turned back on and the transmission line is energized. The dry switch on the medium-voltage side is turned on to check the meter and the transformer. Then the main switch on the lower-voltage side is turned on to inspect the condition of the meter by increasing and decreasing the load for the next two hours. If the system is working well, the meter is secured (locked) and the customer receives written permission to use electricity.

Once the flow starts, the customer must pay a charge of 1% of the connection fee.

## LIST OF PROCEDURES REGISTERING PROPERTY

### *Balkh (Mazar-i-Sharif)*

Property value: AFN 1,879,943 (US\$31,500)

Data as of: November 2016

### Procedure 1. Obtain and submit application form and two circular forms at the primary court

**Time:** 3 days

**Cost:** None

**Comments:** The seller must file an application at the primary court in the district in which the land is located. Once the application is filed, the head of the Makhzan (the appeals court archives) must verify the validity of the property deed in the appeals court registry. The seller obtains, fills out and submits an application form along with two circular forms (one for the sale of the land, one for the sale of the building). The judge of the

primary court signs the application and circular forms to initiate a search of the deed records at the Makhzan.

### Procedure 2. Submit the signed circular forms to the chief of the Makhzan to initiate the search of registered deeds

**Time:** 5 days

**Cost:** None

**Comments:** The applicant gives the signed circular forms to the Makhzan to initiate the search of its historical records of registered deeds. The Makhzan keeper conducts a deed search in the archives based on the details provided by the applicant (registry number and photos of the property). The clerk of the Makhzan then ensures that the information on the circular forms matches the records. The keeper gives the deed book and the owner's property deed to the chief of the Makhzan, who checks that the recorded ownership is correct and signs the appropriate circular form.

### Procedure 3. Submit the circular forms to the property office (Milkiat-ha) of the municipality

**Time:** 2 days

**Cost:** None (A charge of 1% of the property value is paid in procedure 9.)

**Comments:** The head of the district municipality signs the circular forms and writes to the relevant offices (the Milkiat-ha and the engineering team) to request that they further process the application. The applicant submits the application to these offices in person.

The applicant first takes the circular forms to the Milkiat-ha for confirmation of the ownership.

### Procedure 4. Submit the circular forms to the engineering team of the municipality

**Time:** 2 days

**Cost:** None

**Comments:** For purposes of assessment of the property value, the engineering team looks at the building's size, location, technical features and construction materials as well as a sketch of the property.

### Procedure 5. Submit the circular forms to the Amlak committee

**Time:** 3 days

**Cost:** None

**Comments:** An Amlak committee establishes the value of the land after an inspection of the property. The value is entered on the appropriate circular form, along with a charge of 1% of that value that is to be paid at a bank. This procedure also includes checking for back-due sanitation taxes and making sure that the property is free from any restrictions such as mortgages.

\*Simultáneo con el trámite anterior.



### Procedure 6. Submit the circular forms to the provincial revenue department (Mustofiat) of the Ministry of Finance

**Time:** 2 days

**Cost:** None (A charge of 1% of the property value is paid in procedure 9.)

**Comments:** The applicant takes the circular forms to the tax collection office of the local Mustofiat for certification of the property transfer fees owed. The Ministry of Finance also levies a charge of 1% of the value determined by the municipality.

### Procedure 7. Submit the circular forms to the human resources directorate of the Mustofiat for certification of signatures

**Time:** 1 day

**Cost:** None

**Comments:** The circular forms are submitted to the human resources directorate to have the signatures of the local and provincial (regional) Mustofiat staff certified.

### Procedure 8. Submit the completed circular forms to the primary court judge

**Time:** 1 day

**Cost:** None

**Comments:** The completed circular forms are reviewed by the primary court judge. The court clerk writes in the property transfer fees for the applicant to pay at a designated bank.

### Procedure 9. Pay the property transfer fees at the designated bank

**Time:** 1 day

**Cost:** AFN 93,997 (3% of the property value to the primary court [registration fees are 3% for property values above AFN 1 million, 2% otherwise] + 1% to the municipality + 1% to the Mustofiat)

**Comments:** The seller pays the property transfer fees at the designated bank. For property valued at less than AFN 1 million, the registration fee is 2% of the property value; for property valued at more than AFN 1 million (as in the *Doing Business* case study), the registration fee is 3%. A fee schedule for registration fees was introduced by a presidential decree and a decision of a commune commission of the two chambers of Parliament published on April 9, 2009. This followed the elimination of the property transfer tax of 5% by a presidential decree dated July 14, 2008.

### Procedure 10. Submit the completed circular forms, with payment receipts, to the primary court

**Time:** 9 days

**Cost:** None

**Comments:** The applicant returns to the primary court with the completed circular forms and the receipts as proof of payment. The primary court judge orders the clerk to prepare a new deed in two copies. The new deed is scrutinized by the judge, who signs both copies. The konda (stub copy) is maintained in the primary court until the full record book is passed on to the Makhzan for storage at the end of the financial year.

### Procedure 11. Apply for title transfer

**Time:** 90 days

**Cost:** None

**Comments:** The applicant takes the new deed to the Milkiaat-ha directorate to have the owner's name changed in the books (safae) as well as for all utilities.

#### REGISTERING PROPERTY

#### *Herat (Herat)*

Property value: AFN 1,879,943 (US\$31,500)  
Data as of: November 2016

### Procedure 1. Obtain and submit application form and two circular forms at the primary court

**Time:** 3 days

**Cost:** None

**Comments:** The seller must file an application at the primary court in the district in which the land is located. Once the application is filed, the head of the Makhzan (the appeals court archives) must verify the validity of the property deed in the appeals court registry. The seller obtains, fills out and submits an application form along with two circular forms (one for the sale of the land, one for the sale of the building). The judge of the primary court signs the application and circular forms to initiate a search of the deed records at the Makhzan.

### Procedure 2. Submit the signed circular forms to the chief of the Makhzan to initiate the search of registered deeds

**Time:** 6 days

**Cost:** None

**Comments:** The applicant gives the signed circular forms to the Makhzan to initiate the search of its historical records of registered deeds. The Makhzan keeper conducts a deed search in the archives based on the details provided by the applicant (registry number and photos of the property). The clerk of the Makhzan then ensures that the information on the circular forms matches the records. The keeper gives the deed book and the owner's property deed to the chief of the Makhzan, who checks that the recorded ownership is correct and signs the appropriate circular form.

### Procedure 3. Submit the circular forms to the property office (Milkiaat-ha) of the municipality

**Time:** 2 days

**Cost:** None (A charge of 1% of the property value is paid in procedure 9.)

**Comments:** The head of the district municipality signs the circular forms and writes to the relevant offices (the Milkiaat-ha and the engineering team) to request that they further process the application. The applicant submits the application to these offices in person.

The applicant first takes the circular forms to the Milkiaat-ha for confirmation of the ownership.

### Procedure 4. Submit the circular forms to the engineering team of the municipality

**Time:** 2 days

**Cost:** None

**Comments:** For purposes of assessment of the property value, the engineering team looks at the building's size, location, technical features and construction materials as well as a sketch of the property.

### Procedure 5. Submit the circular forms to the Amlak committee

**Time:** 4 days

**Cost:** None

**Comments:** An Amlak committee establishes the value of the land after an inspection of the property. The value is entered on the appropriate circular form, along with a charge of 1% of that value that is to be paid at a bank. This procedure also includes checking for back-due sanitation taxes and making sure that the property is free from any restrictions such as mortgages.

### Procedure 6. Submit the circular forms to the provincial revenue department (Mustofiat) of the Ministry of Finance

**Time:** 3 days

**Cost:** None (A charge of 1% of the property value is paid in procedure 9.)

**Comments:** The applicant takes the circular forms to the tax collection office of the local Mustofiat for certification of the property transfer fees owed. The Ministry of Finance also levies a charge of 1% of the value determined by the municipality.

### Procedure 7. Submit the circular forms to the human resources directorate of the Mustofiat for certification of signatures

**Time:** 1 day

**Cost:** None

**Comments:** The circular forms are submitted to the human resources directorate to have the

signatures of the local and provincial (regional) Mustofiat staff certified.

### Procedure 8. Submit the completed circular forms to the primary court judge

**Time:** 1 day

**Cost:** None

**Comments:** The completed circular forms are reviewed by the primary court judge. The court clerk writes in the property transfer fees for the applicant to pay at a designated bank.

### Procedure 9. Pay the property transfer fees at the designated bank

**Time:** 1 day

**Cost:** AFN 93,997 (3% of the property value to the primary court [registration fees are 3% for property values above AFN 1 million, 2% otherwise] + 1% to the municipality + 1% to the Mustofiat)

**Comments:** The seller pays the property transfer fees at the designated bank. For property valued at less than AFN 1 million, the registration fee is 2% of the property value; for property valued at more than AFN 1 million (as in the *Doing Business* case study), the registration fee is 3%. A fee schedule for registration fees was introduced by a presidential decree and a decision of a commune commission of the two chambers of Parliament published on April 9, 2009. This followed the elimination of the property transfer tax of 5% by a presidential decree dated July 14, 2008.

### Procedure 10. Submit the completed circular forms, with payment receipts, to the primary court

**Time:** 20 days

**Cost:** None

**Comments:** The applicant returns to the primary court with the completed circular forms and the receipts as proof of payment. The primary court judge orders the clerk to prepare a new deed in two copies. The new deed is scrutinized by the judge, who signs both copies. The konda (stub copy) is maintained in the primary court until the full record book is passed on to the Makhzan for storage at the end of the financial year.

### Procedure 11. Apply for title transfer

**Time:** 150 days

**Cost:** None

**Comments:** The applicant takes the new deed to the Milkiat-ha directorate to have the owner's name changed in the books (safae) as well as for all utilities.

## REGISTERING PROPERTY

### Kabul (Kabul)

Property value: AFN 1,879,943 (US\$31,500)

Data as of: June 2016

### Procedure 1. Obtain and submit application form and two circular forms at the primary court

**Time:** 3 days

**Cost:** None

**Comments:** The seller must file an application at the primary court in the district in which the land is located. Once the application is filed, the head of the Makhzan (the appeals court archives) must verify the validity of the property deed in the appeals court registry. The seller obtains, fills out and submits an application form along with two circular forms (one for the sale of the land, one for the sale of the building). The judge of the primary court signs the application and circular forms to initiate a search of the deed records at the Makhzan.

### Procedure 2. Submit the signed circular forms to the chief of the Makhzan to initiate the search of registered deeds

**Time:** 8 days

**Cost:** None

**Comments:** The applicant gives the signed circular forms to the Makhzan to initiate the search of its historical records of registered deeds. The Makhzan keeper conducts a deed search in the archives based on the details provided by the applicant (registry number and photos of the property). The clerk of the Makhzan then ensures that the information on the circular forms matches the records. The keeper gives the deed book and the owner's property deed to the chief of the Makhzan, who checks that the recorded ownership is correct and signs the appropriate circular form.

### Procedure 3. Submit the circular forms to the property office (Milkiat-ha) of the municipality

**Time:** 15 days

**Cost:** None (A charge of 1% of the property value is paid in procedure 7.)

**Comments:** The applicant takes the circular forms to the Milkiat-ha for certification of the property's location and valuation and confirmation of the ownership. The engineering team looks at the building's size, location, technical features and construction materials as well as a sketch of the property. An Amlak committee establishes the value of the land after an inspection of the property. The value is entered on the appropriate circular form, along with a charge of 1% of that value that is to be paid at a bank. This procedure also includes checking for back-due sanitation taxes and

making sure that the property is free from any restrictions such as mortgages.

### Procedure 4. Submit the circular forms to the provincial revenue department (Mustofiat) of the Ministry of Finance

**Time:** 5 days

**Cost:** None (A charge of 1% of the property value is paid in procedure 7.)

**Comments:** The applicant takes the circular forms to the tax collection office of the local Mustofiat for certification of the property transfer fees owed. The Ministry of Finance also levies a charge of 1% of the value determined by the municipality.

### Procedure 5. Submit the circular forms to the human resources directorate of the Mustofiat for certification of signatures

**Time:** 3 days

**Cost:** None

**Comments:** The circular forms are submitted to the human resources directorate to have the signatures of the local and provincial (regional) Mustofiat staff certified.

### Procedure 6. Submit the completed circular forms to the primary court judge

**Time:** 1 day

**Cost:** None

**Comments:** The completed circular forms are reviewed by the primary court judge. The court clerk writes in the property transfer fees for the applicant to pay at a designated bank.

### Procedure 7. Pay the property transfer fees at the designated bank

**Time:** 1 day

**Cost:** AFN 93,997 (3% of the property value to the primary court [registration fees are 3% for property values above AFN 1 million, 2% otherwise] + 1% to the municipality + 1% to the Mustofiat)

**Comments:** The seller pays the property transfer fees at the designated bank. For property valued at less than AFN 1 million, the registration fee is 2% of the property value; for property valued at more than AFN 1 million (as in the *Doing Business* case study), the registration fee is 3%. A fee schedule for registration fees was introduced by a presidential decree and a decision of a commune commission of the two chambers of Parliament published on April 9, 2009. This followed the elimination of the property transfer tax of 5% by a presidential decree dated July 14, 2008.

### Procedure 8. Submit the completed circular forms, with payment receipts, to the primary court

**Time:** 31 days

**Cost:** None

**Comments:** The applicant returns to the primary court with the completed circular forms and the receipts as proof of payment. The primary court judge orders the clerk to prepare a new deed in two copies. The new deed is scrutinized by the judge, who signs both copies. The konda (stub copy) is maintained in the primary court until the full record book is passed on to the Makhzan for storage at the end of the financial year.

### Procedure 9. Apply for title transfer

**Time:** 183 days

**Cost:** None

**Comments:** The applicant takes the new deed to the Milkiat-ha directorate to have the owner's name changed in the books (safae) as well as for all utilities.

#### REGISTERING PROPERTY

#### Kandahar (Kandahar)

Property value: AFN 1,879,943 (US\$31,500)

Data as of: November 2016

### Procedure 1. Obtain and submit application form and two circular forms at the primary court

**Time:** 3 days

**Cost:** None

**Comments:** The seller must file an application at the primary court in the district in which the land is located. Once the application is filed, the head of the Makhzan (the appeals court archives) must verify the validity of the property deed in the appeals court registry. The seller obtains, fills out and submits an application form along with two circular forms (one for the sale of the land, one for the sale of the building). The judge of the primary court signs the application and circular forms to initiate a search of the deed records at the Makhzan.

### Procedure 2. Submit the signed circular forms to the chief of the Makhzan to initiate the search of registered deeds

**Time:** 5 days

**Cost:** None

**Comments:** The applicant gives the signed circular forms to the Makhzan to initiate the search of its historical records of registered deeds. The Makhzan keeper conducts a deed search in the archives based on the details provided by the applicant (registry number and photos of the property). The clerk of the Makhzan then ensures that the information on the circular forms matches the records. The keeper gives the deed book and the owner's property deed to the chief of the Makhzan, who

checks that the recorded ownership is correct and signs the appropriate circular form.

### Procedure 3. Submit the circular forms to the property office (Milkiat-ha) of the municipality

**Time:** 2 days

**Cost:** None (A charge of 1% of the property value is paid in procedure 9.)

**Comments:** The head of the district municipality signs the circular forms and writes to the relevant offices (the Milkiat-ha and the engineering team) to request that they further process the application. The applicant submits the application to these offices in person.

The applicant first takes the circular forms to the Milkiat-ha for confirmation of the ownership.

### Procedure 4. Submit the circular forms to the engineering team of the municipality

**Time:** 2 days

**Cost:** None

**Comments:** For purposes of assessment of the property value, the engineering team looks at the building's size, location, technical features and construction materials as well as a sketch of the property.

### Procedure 5. Submit the circular forms to the Amlak committee

**Time:** 4 days

**Cost:** None

**Comments:** An Amlak committee establishes the value of the land after an inspection of the property. The value is entered on the appropriate circular form, along with a charge of 1% of that value that is to be paid at a bank. This procedure also includes checking for back-due sanitation taxes and making sure that the property is free from any restrictions such as mortgages.

### Procedure 6. Submit the circular forms to the provincial revenue department (Mustofiat) of the Ministry of Finance

**Time:** 5 days

**Cost:** None (A charge of 1% of the property value is paid in procedure 9.)

**Comments:** The applicant takes the circular forms to the tax collection office of the local Mustofiat for certification of the property transfer fees owed. The Ministry of Finance also levies a charge of 1% of the value determined by the municipality.

### Procedure 7. Submit the circular forms to the human resources directorate of the Mustofiat for certification of signatures

**Time:** 2 days

**Cost:** None

**Comments:** The circular forms are submitted to the human resources directorate to have the signatures of the local and provincial (regional) Mustofiat staff certified.

### Procedure 8. Submit the completed circular forms to the primary court judge

**Time:** 1 day

**Cost:** None

**Comments:** The completed circular forms are reviewed by the primary court judge. The court clerk writes in the property transfer fees for the applicant to pay at a designated bank.

### Procedure 9. Pay the property transfer fees at the designated bank

**Time:** 1 day

**Cost:** AFN 93,997 (3% of the property value to the primary court [registration fees are 3% for property values above AFN 1 million, 2% otherwise] + 1% to the municipality + 1% to the Mustofiat)

**Comments:** The seller pays the property transfer fees at the designated bank. For property valued at less than AFN 1 million, the registration fee is 2% of the property value; for property valued at more than AFN 1 million (as in the *Doing Business* case study), the registration fee is 3%. A fee schedule for registration fees was introduced by a presidential decree and a decision of a commune commission of the two chambers of Parliament published on April 9, 2009. This followed the elimination of the property transfer tax of 5% by a presidential decree dated July 14, 2008.

### Procedure 10. Submit the completed circular forms, with payment receipts, to the primary court

**Time:** 20 days

**Cost:** None

**Comments:** The applicant returns to the primary court with the completed circular forms and the receipts as proof of payment. The primary court judge orders the clerk to prepare a new deed in two copies. The new deed is scrutinized by the judge, who signs both copies. The konda (stub copy) is maintained in the primary court until the full record book is passed on to the Makhzan for storage at the end of the financial year.

### Procedure 11. Apply for title transfer

**Time:** 30 days

**Cost:** None

**Comments:** The applicant takes the new deed to the Milkiat-ha directorate to have the owner's name changed in the books (safae) as well as for all utilities.

## REGISTERING PROPERTY

**Nangarhar (Jalalabad)**

Property value: AFN 1,879,943 (US\$31,500)

Data as of: November 2016

**Procedure 1. Obtain and submit application form and two circular forms at the primary court****Time:** 3 days**Cost:** None

**Comments:** The seller must file an application at the primary court in the district in which the land is located. Once the application is filed, the head of the Makhzan (the appeals court archives) must verify the validity of the property deed in the appeals court registry. The seller obtains, fills out and submits an application form along with two circular forms (one for the sale of the land, one for the sale of the building). The judge of the primary court signs the application and circular forms to initiate a search of the deed records at the Makhzan.

**Procedure 2. Submit the signed circular forms to the chief of the Makhzan to initiate the search of registered deeds****Time:** 5 days**Cost:** None

**Comments:** The applicant gives the signed circular forms to the Makhzan to initiate the search of its historical records of registered deeds. The Makhzan keeper conducts a deed search in the archives based on the details provided by the applicant (registry number and photos of the property). The clerk of the Makhzan then ensures that the information on the circular forms matches the records. The keeper gives the deed book and the owner's property deed to the chief of the Makhzan, who checks that the recorded ownership is correct and signs the appropriate circular form.

**Procedure 3. Submit the circular forms to the property office (Milkiat-ha) of the municipality****Time:** 2 days**Cost:** None (A charge of 1% of the property value is paid in procedure 9.)

**Comments:** The head of the district municipality signs the circular forms and writes to the relevant offices (the Milkiat-ha and the engineering team) to request that they further process the application. The applicant submits the application to these offices in person.

The applicant first takes the circular forms to the Milkiat-ha for confirmation of the ownership.

**Procedure 4. Submit the circular forms to the engineering team of the municipality****Time:** 2 days**Cost:** None

**Comments:** For purposes of assessment of the property value, the engineering team looks at the building's size, location, technical features and construction materials as well as a sketch of the property.

**Procedure 5. Submit the circular forms to the Amlak committee****Time:** 4 days**Cost:** None

**Comments:** An Amlak committee establishes the value of the land after an inspection of the property. The value is entered on the appropriate circular form, along with a charge of 1% of that value that is to be paid at a bank. This procedure also includes checking for back-due sanitation taxes and making sure that the property is free from any restrictions such as mortgages.

**Procedure 6. Submit the circular forms to the provincial revenue department (Mustofiat) of the Ministry of Finance****Time:** 5 days**Cost:** None (A charge of 1% of the property value is paid in procedure 9.)

**Comments:** The applicant takes the circular forms to the tax collection office of the local Mustofiat for certification of the property transfer fees owed. The Ministry of Finance also levies a charge of 1% of the value determined by the municipality.

**Procedure 7. Submit the circular forms to the human resources directorate of the Mustofiat for certification of signatures****Time:** 2 days**Cost:** None

**Comments:** The circular forms are submitted to the human resources directorate to have the signatures of the local and provincial (regional) Mustofiat staff certified.

**Procedure 8. Submit the completed circular forms to the primary court judge****Time:** 1 day**Cost:** None

**Comments:** The completed circular forms are reviewed by the primary court judge. The court clerk writes in the property transfer fees for the applicant to pay at a designated bank.

**Procedure 9. Pay the property transfer fees at the designated bank****Time:** 1 day

**Cost:** AFN 93,997 (3% of the property value to the primary court [registration fees are 3% for property values above AFN 1 million, 2% otherwise] + 1% to the municipality + 1% to the Mustofiat)

**Comments:** The seller pays the property transfer fees at the designated bank. For property valued at less than AFN 1 million, the registration fee is 2% of the property value; for property valued at more than AFN 1 million (as in the *Doing Business* case study), the registration fee is 3%. A fee schedule for registration fees was introduced by a presidential decree and a decision of a commune commission of the two chambers of Parliament published on April 9, 2009. This followed the elimination of the property transfer tax of 5% by a presidential decree dated July 14, 2008.

**Procedure 10. Submit the completed circular forms, with payment receipts, to the primary court****Time:** 20 days**Cost:** None

**Comments:** The applicant returns to the primary court with the completed circular forms and the receipts as proof of payment. The primary court judge orders the clerk to prepare a new deed in two copies. The new deed is scrutinized by the judge, who signs both copies. The konda (stub copy) is maintained in the primary court until the full record book is passed on to the Makhzan for storage at the end of the financial year.

**Procedure 11. Apply for title transfer****Time:** 50 days**Cost:** None

**Comments:** The applicant takes the new deed to the Milkiat-ha directorate to have the owner's name changed in the books (safae) as well as for all utilities.

**Procedure 12. Obtain the governor's signature on the new deed****Time:** 2 days**Cost:** None

**Comments:** To increase the security of title, the applicant seeks to have the deed signed by the governor or by someone delegated by the governor.





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