



27 May 2016

Progress report of FICIL's recommendations on Construction

1. Assessment of the current situation and retrospect to the progress achieved

During the past years the need to improve the construction related regulation and investment environment has been defined as one of the goals that Latvia has to achieve. Two previous position papers (prepared in 2010 and 2008) were focused on the improvement of regulatory enactments related to spatial planning and construction in order to establish effective, uniform and predictable spatial planning and construction processes and to increase predictability and clarity for investors about the procedures and timelines to be followed when developing industrial investment projects.

The progress in accomplishing these goals, however, has not proved to be as clear as it could have been. Several initiatives from the previous position papers have been taken into account when making amendments into the existing laws or adopting the new Construction Law (in the development of which representatives of FICIL took active participation on both governmental and parliament levels), but still a significant amount of work lies ahead. As it is shown in the Doing Business 2016 research, published by the World Bank at the end of the last year, in the construction related section Latvia has dropped from being ranked as 24 (in the year 2015) to 30 in the Doing Business 2016 report, falling behind its neighboring states Lithuania and Estonia (Latvia ranks as the 30st, while Estonia - as the 16th, and Lithuania - as the 18th).

2. Matters that need immediate attention

In respect of the above, in this Progress report the FICIL Construction Work Group has focused on the available possibilities for improvement of the normative regulation and investment environment and in doing so has addressed the following matters:

- 1) issues related to the mixed use land plot development (namely situations when several buildings with different function are built on one land plot and the problems arising from such situations);
- 2) issues related to the restrictions for selling agricultural land;
- 3) necessary amendments to the Construction Law – the regulation of the responsibility of the participants of construction process and re-installment of definite construction process related definitions into the law;
- 4) improvement of the administrative procedure for putting a building into operation;
- 5) issues related to the communication and cooperation with local municipalities (reluctance to enter into administrative agreements and issue statements regarding one's rights, use of infrastructure fees, etc.).

3. Recommendations:

The FICIL Construction Work Group has come to the conclusions and recommendations regarding the required changes in and suggestions concerning both legislation as well as its enforcement in order to improve the business environment in Latvia.

These conclusions and recommendations concern:

1. Improving the existing normative regulation with respect to the use of a land plot in case of mixed use development (regarding the existing problems in relation to the use of land and division of the ownership rights if one of the buildings is a residential building).
2. Improving the regulation related to the restrictions for selling agricultural land, stating that in case of discrepancies with respect to the purpose of use provided in the database of the State Land Service and in the territorial planning of the municipality the latter should prevail.
3. Re-installment of construction process related definitions in the Construction Law – suggesting re-installing the “missing” definitions in the law as the lack of these definitions in practice significantly complicates the interpretation and application of the law.
4. Improving the regulation of responsibility of the participants of the construction process to ensure balance in the division of the responsibility corresponding to the expertise and involvement of the participants of construction process.
5. Improving administrative procedures for putting a building into operation suggesting that more transparent and predictable procedure shall be determined as now the procedure is mostly based on the opinion of state and municipal authorities involved.
6. Improving the application of laws in local municipalities – to deal with such matters as reluctance of municipalities to issue the statements regarding one’s rights (*uzziņas par tiesībām*) and to determine an obligation to publish them in the web sites of the municipalities addressed; reluctance of municipalities to enter into administrative agreements in different situations; matters related to the use of the infrastructure fee – it should be stated that at least part of the fee must be used in the area which is being developed by the respective fee payer.