



# European Construction Sector Observatory

## Policy measure fact sheet

### Latvia

#### New Construction Law

#### Thematic Objective 4

March 2017

<b>Implementing body:</b>	Ministry of Economy
<b>Key features &amp; objectives:</b>	Simplification of the regulatory framework, shortening of the pre-construction process, reducing of the administrative burden, acceleration and promotion of the construction of new buildings in Latvia.
<b>Implementation date:</b>	01/10/2014
<b>Targeted beneficiaries:</b>	Specialised contractors / craft builders.
<b>Targeted sub-sectors:</b>	All construction sub-sectors.
<b>Budget (EUR):</b>	n/a

### In a nutshell

Construction activities in Latvia are regulated by construction law, which was first adopted by the Parliament of the Republic of Latvia (*Saeimas*) in 1995. The new construction law has been under discussion since 2009 and was subject to a number of postponements in the years that followed. It was eventually approved by the Parliament in 2014, following the Zolitūdes tragedy on 21<sup>st</sup> November 2013, during which the roof of a shopping centre in a Riga neighbourhood collapsed, resulting in the death of 54 people<sup>1</sup>.

Before the new construction law was adopted, the use of the lowest price principle was standard practice in contract award procedures. This was a contributory factor to many construction companies going bankrupt and caused many skilled workers to leave the country<sup>2</sup>. The Latvian construction sector has a largely unskilled (unqualified, uncertified) construction workforce, a fact that was confirmed by the Zolitūdes tragedy, which was caused by errors in the shopping centre's structural design, negligence by the authorities in planning and pre-construction process, and the fact that the developer of the shopping centre hired an uncertified company to install the building's metal structures<sup>3</sup>.

The Zolitūdes tragedy was a key motivating factor that led the Latvian Government to revise the construction law and improve

legislation in order to modernise the construction industry, and to improve construction sector practices, procedures and quality.

### General description

The new construction law<sup>4</sup> was adopted by the Parliament on 9<sup>th</sup> July 2013 and came into force on 1<sup>st</sup> October 2014. The law was developed by a working group made up of Members of Parliament and experts from the construction sector, non-governmental organisations, social partners, various government ministries and other governmental institutions in Latvia<sup>5</sup>.

The key objective of the new construction law is to simplify the regulatory framework, shorten the pre-construction process, reduce the administrative burden and increase the construction of new buildings in Latvia<sup>6</sup>. The new Law also includes requirements for construction workers to better assure the safety of construction workers and the community.

Under the new law, construction project initiators (e.g. developers) are required to submit a **construction proposal** to the building authority<sup>7</sup> as a first step in any new construction activity. The content of the proposal depends on the type of structure to be built. The law describes three types of construction<sup>8</sup>:

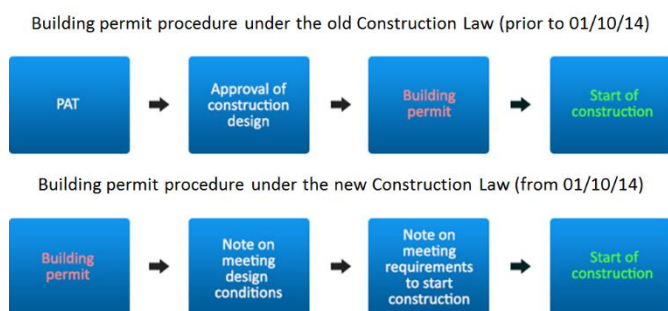
- **Category 1** includes uninhabitable one floor buildings with specific structures, such as small-buildings or outhouses;
- **Category 2** includes buildings that are not included in groups 1 or 3, such as buildings with less than five floors or small offices;
- **Category 3** includes buildings with more than five floors that are designed to be used by more than 100 people.

When proposing the construction of a new building that fits categories 2 or 3, the proposer must submit a construction application and building design<sup>9</sup> to the building authority. The building design must comply with the requirements set out in the General Regulations for the Planning, Use and Building of the Territory<sup>10</sup>.

Within three days after the submission of a construction proposal, the building authority is obliged to inform the community/public about the construction proposal. Information on construction proposals is published on the municipality website and on the construction information system (State system)<sup>11</sup>. If a new project is intended to be located next to a residential or public area, the building authority will organise a public debate. An environmental impact assessment will also be carried out. The decision to approve or reject a construction proposal is only taken after a public debate and an environmental impact assessment are complete.

A **building permit** is issued if the building design meets all of the legal requirements and construction regulations and if the construction proposal conforms to the provisions for the use and building of a territory included in the spatial plan, local plan and detailed plan of a local government. Whereas under the previous construction law, a building permit on its own was sufficient to green light a construction project, under the new law, the grant of a building permit is the just the first step in the building permit process. A permit is now granted at a much early stage in the construction process than was the case under the old law. The permit now includes design and pre-work conditions (requirements) that must be met before work can start. The building authority must record a note on the building permit when each set of conditions are met. Once all conditions are met and become non-challengeable, work may commence. The new law stipulates that the conditions must be met within a maximum period of six years, thereby implying that there could theoretically be a six-year gap between the grant of a permit and the start of construction work<sup>12</sup>.

**Figure 1: Change to building permit procedure**



Source: Sorainen, 2015<sup>13</sup>

Within five days of receiving a building permit, the project initiator is obliged to **inform the public** about the planned construction works. The initiator must erect a construction information notice board on the intended construction site which must be visible to the public and must convey important information of public interest, such as the purpose of the construction work, who is developing the site (e.g. project initiator), the building layout, a visualisation of the building in its surroundings, as well as information about the building permit.

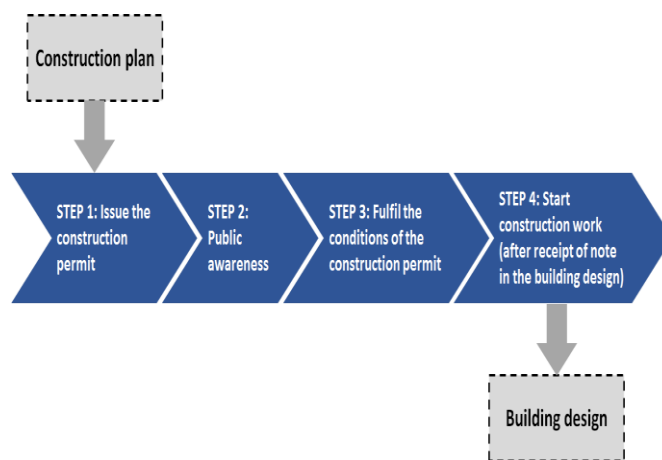
Once a building permit has been granted, the proposal initiator must provide the **building design** drawings, in accordance with the restrictions and requirements of regulations and laws. For construction categories 2 and 3, this includes general, architectural and engineering parts, a work coordination plan, fire safety measures and an energy efficiency assessment<sup>14</sup>.

Construction work can only begin once all building design conditions have been met and the building authority has given its final approval. Work must then be carried out according to the approved building design and the conditions of the building permit, and in compliance with general restrictions and requirements laid down in regulations and laws.

**Construction control** is the responsibility of the building authority or building inspectors<sup>15</sup> and seeks to verify:

- Whether work is done according regulations and legal requirements;
- Whether work adheres to the approved building design;
- Whether a building is used according to the designed type of use.

**Figure 2: Construction process**



Source: CARSA, 2016

The new construction law sets specific time limits for the intended construction where a building authority makes a decision in the following terms<sup>16</sup>:

<b>1 month:</b>	Building permit granted or rejected.
<b>14 days:</b>	Construction approval or rejection.
<b>7 days:</b>	Construction approval or rejection by ticking the construction plans in the Explanatory Memorandum or the refusal to make a mark.

The new construction law also stipulates requirements for construction specialists<sup>17</sup>. The new law requires contractors to possess relevant higher professional education qualifications and practical experience certification.

**Architects** are required to demonstrate that they have<sup>18</sup>:

- Completed second-level professional higher education study programmes in architecture;
- Acquired the educational qualifications necessary to practice as an architect.

**Civil engineers** and/or related engineering professions are required to demonstrate that they have<sup>19</sup>:

- Completed first or second level professional higher education study programmes in civil engineering;
- Acquired the educational qualifications necessary to practice as an engineer;
- Gained the necessary knowledge and skills in all areas of engineering that are relevant to their role in the project.

## Achieved or expected results

Since its entry into force, the new construction law has introduced several significant changes into the construction process. For instance, the new law has **reduced the number of decisions involved in the construction process**. Building authorities are now only required to take one decision – whether to grant a building permit or not – instead of the three decisions that the previous law required: to issue the architecture and planning assignment; approve the building design; and grant the building permit<sup>20</sup>.

In 2015, the Latvian State Building Control Bureau conducted a survey on the new construction law. Although the new law has simplified the administrative process, 47% of respondents stated that they still experience procedural problems<sup>21</sup>. The process continues to be seen as overly complicated and the paper work required when applying for a construction permit has not been noticeably reduced. More than a half of the survey respondents believe that administrative procedures need to be reformed to make them simpler.

Another significant change has been the introduction of specific time limits for building authority decisions on construction proposals including, for example, a one-month time limit for a building authority decision on whether or not to grant a building permit. Additionally, a building permit can be challenged within a 30-day period, after which the building permit is confirmed and cannot change<sup>22</sup>.

Unlike the previous law, the new construction law makes it a legal requirement to inform the public about planned construction work. To make the construction process more **transparent** and to properly fulfil its duties in the construction process, the Latvian Builders Association developed open internet access to enable individuals to post information about construction-related violations, to assist the monitoring activities of the construction control office<sup>23</sup>.

Under the new law, construction controllers are more involved in the construction process and are helping to increase construction and building quality, as well as assuring the safety of construction contractors and other people in and around construction sites. While under the previous law, construction controllers were only required to carry out a maximum of two site visits during the construction process, under the new law, the number of site visits by controllers has increased by a factor of between 2 and 4. They are also checking construction materials to ensure that they carry an appropriate certificate<sup>24</sup>.

More than 70% of construction stakeholders that responded to the same survey by the State Building Control Bureau, believe that greater quality control is beneficial to the whole construction process as it increases the overall quality of work being done<sup>25</sup>. Furthermore, 61% of respondents want the Building Authority to be even more involved in quality control<sup>26</sup>.

Since the new law came into force, the Latvian Builders Association and the Ministry of Economy have started to organise training sessions and workshops for construction contractors and specialists. Latvia is also participating in initiatives to create a more skilled workforce. These include EU-funded projects such as Build UP Skills, and national campaigns such the Young Builder's Network (*Jauno būvnieku tīkls*).

From 1<sup>st</sup> January 2015, the Latvian Construction State Control Bureau assures maintenance supervision of public buildings, and from 1<sup>st</sup> July 2015, the Bureau assures state control of construction works and commissioning of public buildings with the aim of assuring quality and safety in construction in accordance with the competence prescribed by regulatory enactments<sup>27</sup>.

## Perspectives and lessons learned

From a **government perspective**, adaptation of the new construction law was crucial for Latvia. There was a need to modernize the 1995 law and to simplify the construction process. The lack of adequate legislation was also a contributing factor to the Zolitūdes tragedy that caused the death of 54 people. There was no particular barrier that explains why the new Law took five years to enter into force. According to a Member of the Latvian Parliament, the long delay was due to the fact that the new construction law contained 20 new and revised normative acts which had to be carefully revised by Parliament<sup>28</sup>.

One of the challenges that the Latvian Parliament is now facing, according to the Head of Kekava District Construction Board, is that Latvia has a total of 119 municipalities and there is still no common understanding of how to apply the new construction law. Local regulatory frameworks are each shaped according to the understanding and experience of the relevant building authority. Local building authorities lack sufficient interest and understanding to properly apply and manage the new construction law. The real challenge is to bring local authorities on board and

build a common understanding of the new law and a common approach to implement and manage it<sup>29</sup>.

According to the Latvian Prime Minister, the new construction law has not reduced the administrative burden as had been expected. The new law is still seen as too bureaucratic and needs to be simplified. Under the new law, every amendment to a construction activity has to be coordinated with the building authority. This requirement is seen as disproportionate. The Latvian construction industry is working with the Ministry of Economy to re-evaluate the results of new construction law and continue to improve regulations<sup>30</sup>.

From a **construction / building control perspective**, the new construction law reduced the number of decisions involved in the construction process, but it failed to provide sufficient clarity on the new law's procedures. The changes to the building permit procedure, whereby the permit is now just the starting point in the process to green light a construction project, have created confusion and have added unnecessary complexity. Previously, a construction project could begin as soon as the building permit was granted. Under Article 16 of the new Construction Law, a building permit does not convey any right to start construction work. The use of the term 'building permit' in the new law is confusing to everyone in the industry, including developers, as everyone understands a building permit to represent a green light for construction work to start<sup>31</sup>.

From an **industry and local development perspective**, a large proportion of the Latvian population, especially outside of Riga, are unaware about construction law and procedures. This is particularly true of small building construction developers. Since the new construction law entered into force, the construction of small objects such as small saunas or wooden sheds built on the private land must now be provided in written form and must be approved by the building authority. Additionally, to be able to build a structure of more than 60m<sup>2</sup>, the builder must also include a building design drawing. One group of owners in the Rezekne District recently converted their properties, unaware of their legal obligations. They were subsequently penalised for not following procedure and they argue that the penalty costs and the cost of the administrative process to comply with the law would amount to more than the cost of converting their properties<sup>32</sup>. According to the building controller in Rezekne County, most people living in small villages that are aware of the new Law tend to ignore it, because it is too expensive for them to pay specialised architects to prepare building design drawings<sup>33</sup>. The price of a sketch which can be accepted by a Latvian building authority costs between EUR 300 and EUR 400.

## Endnotes

- <sup>1</sup> It was the worst disaster in Latvia since 1950, when the steamer Mayakovsky sank in Riga, killing 147 people.
- <sup>2</sup> Statybu naujienos, Latvijas Statybos įstatymo pokyčius paskatino pernai sugriuvęs pastatas, 2014:  
<http://www.statybunaujienos.lt/naujiena/Latvijos-Statybos-istatymo-pokycius-paskatino-pernai-sugriuves-pastatas/1714>
- <sup>3</sup> The reason of this tragedy was due to an error in structural design as well as the planning and initial procedures of the building were neglected by the authorities. Further, the company responsible of the shopping building hired to install the metal constructions of the building by uncertified company instead of hiring certified building engineer to oversee the installation.
- <sup>4</sup> Ekonomikas Ministrija (Ministry of Economy), Jauno Būvniecības likumu (New Construction Law) – adopted in 2013 and implemented in 2014:  
[https://www.em.gov.lv/lv/nozares\\_politika/buvnieciba/jaunais\\_buvniecibas\\_likums/](https://www.em.gov.lv/lv/nozares_politika/buvnieciba/jaunais_buvniecibas_likums/)  
<https://likumi.lv/doc.php?id=258572>  
[vvc.gov.lv/export/sites/default/docs/LRTA/Likumi/Construction\\_Law.doc](http://vvc.gov.lv/export/sites/default/docs/LRTA/Likumi/Construction_Law.doc) (EN)
- <sup>5</sup> EE24 news, Latvia adopted new construction law, 2013:  
<http://ee24.com/latvia/news/v-latvii-prinyali-novyj-zakon-o-stroitelstve/>
- <sup>6</sup> Saeimas, Saeima adopts in the final reading voluminous amendments to construction regulations, 2013:  
<http://www.saeima.lv/en/news/saeima-news/21169-saeima-adopts-in-the-final-reading-voluminous-amendments-to-construction-regulations>
- <sup>7</sup> Ministry of Economy, Būvniecības likums, 2016:  
[https://www.em.gov.lv/lv/nozares\\_politika/buvnieciba/jaunais\\_buvniecibas\\_likums/](https://www.em.gov.lv/lv/nozares_politika/buvnieciba/jaunais_buvniecibas_likums/)
- <sup>8</sup> The classification is regulated in Annex 1 of the General Construction Regulations (Cabinet Regulation No. 500, adopted 19 August 2014).
- <sup>9</sup> A building design consists of an interpretative description about the planned construction intention, general plan of construction, structural plans of floors and roof with explication of rooms or room groups and of other components listed in section 28 of Building Construction Regulations (Cabinet Regulation No. 529, adopted 2 September 2014).
- <sup>10</sup> Cabinet Regulation No. 240, adopted 30 April 2013.
- <sup>11</sup> A State system includes necessary information and documentation for the construction process and its control and ensures circulation of information among public administration, control institutions and participants of construction, as well as involvement of the public in the construction process.
- <sup>12</sup> Sorainen, VAT Price of Building Permit, March 2015:  
<http://www.sorainen.com/UserFiles/File/Publications/en-tax-constr.HTML>
- <sup>13</sup> Sorainen, VAT Price of Building Permit, March 2015:  
<http://www.sorainen.com/UserFiles/File/Publications/en-tax-constr.HTML>
- <sup>14</sup> Building design components are listed in sections 71 and 72 of Building Construction Regulations (Cabinet Regulation No. 529, adopted 2 September 2014).
- <sup>15</sup> Building inspectors are persons employed at the building authority who are registered with the register of building inspectors.
- <sup>16</sup> Ministry of Economy presentation on Jaunais būvniecības regulējums (vispārīgie jautājumi), Apr 2015.
- <sup>17</sup> Statybu naujienos, Latvijos Statybos įstatymo pokyčius paskatino pernai sugriuvęs pastatas, 2014:  
<http://www.statybunaujienos.lt/naujiena/Latvijos-Statybos-istatymo-pokycius-paskatino-pernai-sugriuves-pastatas/1714>
- <sup>18</sup> Ministry of Economy, Būvniecības likums, 2016:  
[https://www.em.gov.lv/lv/nozares\\_politika/buvnieciba/jaunais\\_buvniecibas\\_likums/](https://www.em.gov.lv/lv/nozares_politika/buvnieciba/jaunais_buvniecibas_likums/)
- <sup>19</sup> Ministry of Economy, Būvniecības likums, 2016:  
[https://www.em.gov.lv/lv/nozares\\_politika/buvnieciba/jaunais\\_buvniecibas\\_likums/](https://www.em.gov.lv/lv/nozares_politika/buvnieciba/jaunais_buvniecibas_likums/)
- <sup>20</sup> Lextal, The newly introduced Construction law of Latvia came into force on the 1st of October 2014. November 2014.  
<http://legalknowledgeportal.com/2014/11/10/the-newly-introduced-construction-law-of-latvia-came-into-force-on-the-1st-of-october-2014/>
- <sup>21</sup> Aptaujas rezultātu apkopojums par būvniecības tirgus dalībnieku viedokli par būvniecības normatīvo regulējumu pēc jaunā Būvniecības likuma spēkā stāšanās:  
[http://bvkb.gov.lv/sites/default/files/bvkb\\_aptaujas\\_rezultatu\\_apkopojums\\_20nov2015.pdf](http://bvkb.gov.lv/sites/default/files/bvkb_aptaujas_rezultatu_apkopojums_20nov2015.pdf)
- <sup>22</sup> SKATIES, iss, kas Tev jāzina par jauno Būvniecības likumu, 2014:  
<http://skaties.lv/zinas/latvija/viss-kas-tev-jazina-par-jauno-buvniecibas-likumu/>
- <sup>23</sup> Statybu naujienos, Latvijos Statybos įstatymo pokyčius paskatino pernai sugriuvęs pastatas, 2014:  
<http://www.statybunaujienos.lt/naujiena/Latvijos-Statybos-istatymo-pokycius-paskatino-pernai-sugriuves-pastatas/1714>
- <sup>24</sup> SKATIES, Viss, kas Tev jāzina par jauno Būvniecības likumu, 2015:  
<http://skaties.lv/zinas/latvija/viss-kas-tev-jazina-par-jauno-buvniecibas-likumu/>

- <sup>25</sup> Aptaujas rezultātu apkopojums par būvniecības tirgus dalībnieku viedokli par būvniecības normatīvo regulējumu pēc jaunā Būvniecības likuma spēkā stāšanās:  
[http://bvkb.gov.lv/sites/default/files/bvkb\\_aptaujas\\_rezultatu\\_apkopojums\\_20nov2015.pdf](http://bvkb.gov.lv/sites/default/files/bvkb_aptaujas_rezultatu_apkopojums_20nov2015.pdf)
- <sup>26</sup> Ibid
- <sup>27</sup> International Conference on National Policies for Raising Quality in Construction Industry in Latvia and Europe held on 25/11/2016.
- <sup>28</sup> According to feedback provided by the Ministry of Finance, Construction Department on 24 January 2017.
- <sup>29</sup> According to feedback provided by Inese Aizstrauta, Head of Kekava District Construction Board. Additional information and interview with Inese Aizstrauta (May 2015) is available at:  
<http://www.diena.lv/raksts/latvija/viedokli/aizstrauta-kad-likums-paversas-pret-sabiedribu-14098544>
- <sup>30</sup> Press conference on Pēc Zolitūdes traģēdijas Būvniecības likums Latvijā vairākkārt sarežģīts, intervijā LTV raidījumā “Rīta Panorāmas” norādīja Ministru prezidents Māris Kučinskis (Zaļo un zemnieku savienība) with Prime Minister:  
<http://www.lsm.lv/lv/raksts/latvija/zinas/premjers-kritize-sarezgitos-buvniecibas-normativus.a210283/>
- <sup>31</sup> According to feedback provided by the Cooperation Project Manager at the Latvian State Construction Control Bureau (BVKB) on 26 January 2017.
- <sup>32</sup> Latvijas Sabiedriskie mediji, Patvaļīga būvniecība Rēzeknes novadā notiek likuma nezināšanas dēļ, 2016.
- <sup>33</sup> According to feedback provided by the building controller in Rēzekne County on 24 January 2017.