

# LATVIA

## URBAN REGENERATION SECTOR -

### SCOPING MISSION TO LATVIA ON BEHALF OF UK TRADE AND INVESTMENT



Charles Hughes  
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# REPORT ON SCOPING MISSION TO LATVIA

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## EXECUTIVE SUMMARY

### **Brownfield Urban Regeneration and Sustainable Development in Latvia**

Prior to reinstatement of Latvian sovereignty on the 21st August 1991, Riga had operated as a satellite of Moscow, and Latvia had become the most industrialised of the Baltics, supplying materials and semi-fabricated goods for other industries throughout the Soviet Union. Major manufacturing units were established in the principal cities, most notably Riga and Daugavpils, and mass housing developments of dubious quality were constructed to feed the factories. As a result, after 1991 Latvia was left with massive industrial over-capacity and the largest legacy of brownfield sites in the Balkans.

Pre-accession funds - as for the other accession countries - have focused on the inevitable priorities of infrastructure; institutional capacity, including the financial sector; and social cohesion. However, since the late 1990s, increasing awareness of the need to regenerate cities to increase competitiveness in a pan-European - and indeed global - market resulted in political decisions being made to develop a new and more sophisticated planning and economic development strategy at national, regional and city level.

Project teams have been set up in all major centres working very hard to prepare project proposals to absorb in excess of 1 billion euros of cohesion and structure funds in the period 2004-2006. While Latvia has the enormous asset of dynamic intelligent young people, both multi-skilled and multi-lingual, there is little experience in the urban regeneration field, particularly with regard to appropriate vehicles for delivery including PPP, PFI, Regeneration Agencies or Urban Development Corporations.

External collaborations in the past have tended to be with Scandinavian sources, with Dutch and Belgian partners - principally at municipality level - being added in recent years, and from first analysis there would appear to be little awareness of the skills and experience of UK consultants and contractors in the urban regeneration field. However, the frequency of study trips to the UK has notably increased in the immediate past and several planned events in the coming months, not least the UKTI "Regeneration" initiative, should help to fill this knowledge gap.

The 2006 spend deadline for the current allocation of Cohesion and Structure Funds is putting under-resourced government and municipality offices under great pressure. Dealing with day to day workload leaves little time for consideration of strategic partnerships, particularly with UK organisations of whom they have little knowledge or experience. There is also a baseline scepticism regarding the genuine sustainable benefits of what they see as high cost and short term consultancy offers from international "experts".

The Latvians are open to new ideas, learn very quickly, and are anxious to accelerate the social, economic and environmental development of their country and its status within an expanded EU. There is broad recognition that they will need external support in the coming years to achieve these aims, not least in the urban regeneration field.

For UK organisations with specialist knowledge and experience in this field, there are substantial opportunities to pro-actively submit well considered collaboration proposals which embrace the following issues:

- The setting up of medium to long-term LOCAL collaborations with a view to progressive transfer of knowledge and experience to the Latvian partner.
- Targeting of the activities of the collaboration to high pressure urban regeneration projects in the

period 2004-2006

- In the longer term, targeting collaboration activities at on-going European Structure Fund support beyond 2006 and other forthcoming EU frameworks.
- Specific large scale urban regeneration project experience, particularly with regard to delivery vehicles including Urban Development Corporations, Regeneration Partnerships, PPP and PFI.
- Specific experience of brownfield regeneration projects including remediation strategies, EIA and insurance.
- Specific experience of the financial analysis, planning and valuation of mixed use urban regeneration projects and the attracting of inward investment.
- Specific regeneration and refurbishment skills in the health and education sectors.
- Cost evaluation and lifetime costing skills.
- Facilities management and outsourcing skills.

## 1.0 INTRODUCTION

The period 2001 up to accession on the 1st May 2004 witnessed great strides in collaboration at EU and international level, with Latvia establishing many inter-regional partnerships to address key accession issues and maximise access to pre-accession funds. Not surprisingly for a newly independent country anxious to develop and attract investment, the focus in the period has been on development of greenfield sites on the edge of, or distant from, urban centres.

Decisions have been made in recent years which will bring problems in the longer term. The siting of large numbers of new retail developments on the periphery, particularly around Riga, is a repeat of the mistakes made in the UK in the 70s and 80s, leading to a massive increase in car journeys and undermining the retail vitality of the urban core. Similarly, the creation of new small “villages” of residential development with no supporting local facilities in remote areas outside the main population centres will prove to be unsustainable in the longer term.

Within the country the perhaps inevitable focus on Riga leaves other urban centres - not least Latvia's second city, Daugavpils, near the Russian border - struggling for recognition and support, and lacking the international cosmopolitan flair and glamour of the capital city. The corollary of this apparent imbalance is that Riga is under enormous pressure for new development.

Latvia, and in particular the capital city, has been very successful in attracting inward investment but, like all other accession countries, is reluctant in a context of globally mobile investment patterns to deter potential investors in any way. The perception is that greenfield sites are more attractive (other than landmark sites in the centre of Riga) resulting in more brownfield sites being created in areas remote from urban centres. At the same time, fragmentation of ownership, particularly outside the cities; the absence of an established nationwide land registry; and the great concentration of property and land ownership in the hands of the state and municipalities, hinders the assembly and effective release of development sites. Where private owners hold brownfield sites on the edge of urban centres, they often sit on them waiting for windfall profits from an ill-advised planning consent, or else they build illegally outside formal consent procedures and often to poor construction standards. It is also common for owners of larger sites to break them up into plots, selling off in a piecemeal fashion to individuals who are not aware of the need for formal development or construction approvals.

In addition to this, a great deal of the pre-independence mass housing programme was built to inadequate standards, leaving a significant proportion of the housing stock approaching the end of its life - the problems being compounded in situations where some of the apartments have been privately purchased, leaving unresolved the responsibility for on-going maintenance and management. Outside the cities the previous system of collective farms produced gatherings of residential development and manufacturing, and many of these are now derelict or only partially occupied.

## 2.0 PLANNING AND ECONOMIC DEVELOPMENT

2.1 Nationally, and in the principal cities, the period from the end of the Second World War to independence was characterised by a rigid system of land use planning with a very concentrated focus on economic development and little attention to environmental, social or cultural/heritage issues. Beyond independence - and most particularly since the end of the 90s - integrated planning and economic development has assumed much greater importance. A legislative and regulatory base has now been established with a territorial planning system consisting of four levels: national, regional, municipal and local. Special conditions apply in the Freeport areas and in the designated "Special Economic Zones". Although there is a broadly drawn national economic and development strategy, urban and brownland regeneration is increasingly being driven through the medium of regional development strategies and new or emerging municipality planning and economic development frameworks.

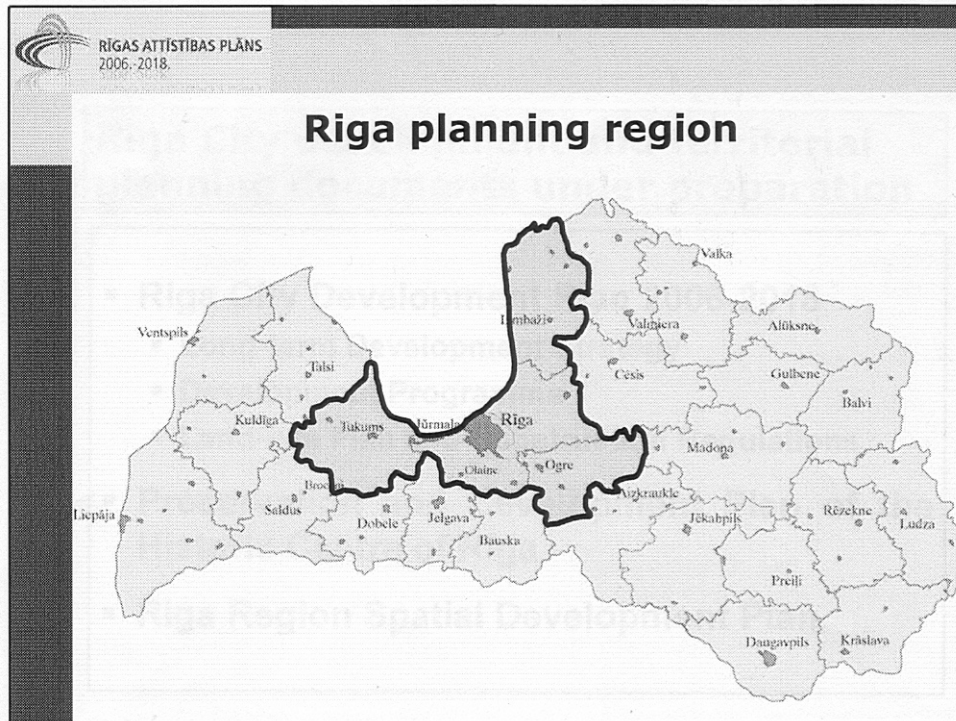
2.2 With a third of the Latvian population and two thirds of GDP, the most important of these is Riga. In 1995 the first post-independence Riga City Development Plan was adopted. The Plan runs for the period 1995-2005 and its basic task was to determine the use of the city's land and set Building Regulations. Development control policies were established and the Plan was ahead of its time, certainly within the Baltic region, by being based on the principles of sustainable development - environmental, economic and social advantage within the vision of a sustainable urban future. The Plan also broke ground in incorporating various levels of public consultation and involvement in the decision-making process. The Plan, however, does not incorporate in an integrated way future development proposals for the Freeport Zone.

Priorities of the Plan were established as:

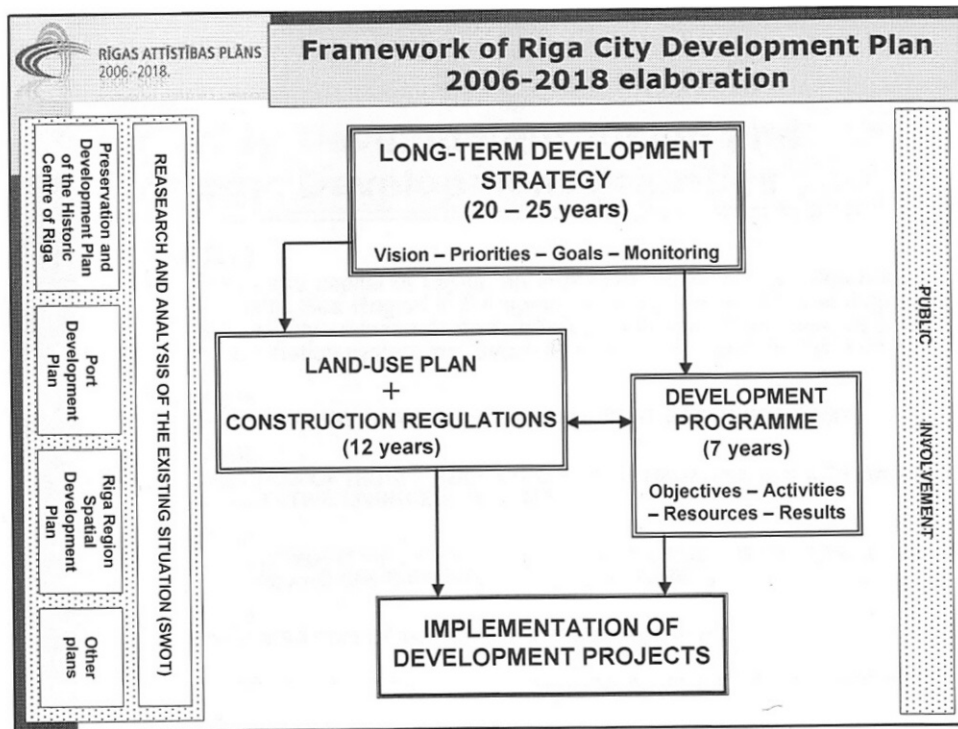
- Land use planning (territorial development);
- Strategic planning focusing on international and EU projects and inward investment;
- Focus for co-operation with other states including individual cities, looking at sharing problems and exchanging experience;
- Participation in concept design and projects at a national/strategic level.

2.3 In 2001 Riga Region Municipalities, including the cities of Riga, Yurmala and four rural districts agreed to establish a Riga Region Development Agency with a single regional economic development strategy. In the same year the City Council decided to create a new Riga City Territorial Development Programme and Plan, which is now going through its survey stage with completion projected by

2006. The survey stage seeks to analyse and integrate related plans and strategies including the Riga Region economic and spatial development strategy; the Preservation and Development Plan for the historic centre of Riga; the Port Development Plan; and other local and rural objectives within the Riga Region. The Vision for Riga 2025 states: " The capital of Latvia - an important multi-cultural metropolis of the Baltic Sea region in the sphere of economy, science and culture, with highly educated and qualified human resources, efficient transportation systems and qualitative living and working environments."



The principal aim of the new Plan is to set the framework for sustainable and balanced development of Riga City and the surrounding region creating "an active vital and contemporary centre for tourism, business trade, government and recreation with an environmentally friendly and safe, comfortable transportation system while conserving the characteristic natural values as well as the cultural and historic heritage".



There are four key elements to the Riga City Development Plan:

- A. A long-term development strategy covering a period of 20-25 years from 2006. This strategy sets the vision, priorities, goals and a general monitoring framework.
- B. A land use plan together with construction regulations running in the period 2006 to 2018. This Plan will define general zoning, construction density, etc.
- C. A medium term development programme running for seven years from 2006, targeted at European and inward investment and addressing key development objectives and activities - the resources necessary to achieve the programme.
- D. A project "book" or framework will be established to guide the implementation of development projects and monitor the outcomes.

The development of the new Riga City Development Plan incorporates an integrated public consultation strategy.

## A. Long-term Development Strategy

### KEY PRIORITIES

#### 1.0 Development of vital and knowledge-based economy

- 1.1 The establishment of beneficial conditions for the development of business and inward investment.
- 1.2 The creation of conditions to support the knowledge-based economy and high added value production.
- 1.3 Innovative science.
- 1.4 Efficient use and development of the city's transit potential, both internally and externally.
- 1.5 Preserved high quality of cultural and historic environment as a pre-condition to sustainable development of the culture and tourism industry.
- 1.6 Conditions to support a qualified and competitive labour force.

#### 2.0 Creation of a highly educated and harmonized society and qualitative living environment

- 2.1 Establish and support Riga City as the biggest education centre in the Baltic region.
- 2.2 Recognise that Riga's inhabitants are highly educated and competitive in accepting new challenges, and provide conditions to reinforce this in the future.
- 2.3 Achieve a balanced quality of social environment and high safety standards.
- 2.4 Establish a qualitative and diverse housing market and a quality of environment conducive to work and recreation.
- 2.5 Ensure harmonised links between the urban and rural environments in the Riga Region.

#### 3.0 Development of an environmentally friendly transportation system and engineering infrastructure

- 3.1 Develop a system of efficient land use management.

- 3.2 Establish the necessary communication infrastructure for the information society and a knowledge-based economy.
- 3.3 Recognise and reinforce the accessibility of Riga, both on an international and national level.
- 3.4 Develop and support a sustainable environmentally friendly transportation system.
- 3.5 Develop and support a modern engineering infrastructure.
- 4.0 Organisation of efficient city management
- 4.1 Recognise and support the status of Riga as the capital city and the metropolis of Latvia.
- 4.2 Efficiently utilise and build upon the high administrative capacity and the professional skills of the local government.
- 4.3 Establish a system of co-ordinated and sustainable city governing financial management.
- 4.4 Ensure the implementation, management and monitoring of the new Riga City Development Plan.
- 4.5 Within the context of recognised European principles and guidelines for spatial development, seek active co-operation in development and territorial planning with the neighbouring municipalities as well as on the regional, national and international level.

**B. Land Use Plan (Riga City Masterplan)**

The emerging masterplan for the city is based upon sustainable development principles, including more active co-operation and collaboration between politicians, the business and academic community, NGOs and city residents. As a related, but important, objective the new masterplan will be integrated in scale and presentation with the Cadaster property ownership map, with a view to improving efficiency of the taxation system and the creation of additional revenue for city development and regeneration purposes.

**C. Medium-term Riga City Development Programme**

This programme seeks to establish a medium-term strategy compatible with the 25 year strategy, consistent with the priorities established in the masterplan. It will focus on specific goals, actions and projects with a view to improving investment levels within the context of balanced and integrated economic, social and environmental development.

D. The overall planning framework being established also includes “project books” for specific short-term projects which will in theory be regularly monitored against the key aims of the Plan. At the end of 2001 a centralised system for international projects was adopted by the City Council with a specialist network (International Project Division, City Development Department) being established to support it. The system embraces a single strategy project preparation process related to EU approvals procedures. The projects are publicised on the internet with a view to seeking co-operation from international partners and investors. In 2002 the system was extended to link all five Latvian planning regions. The development of this centralised system for projects has been supported by PHARE EU finance with a view to maximising access to, and efficient implementation of, EU funds. (Latvian Development Portal [www.latreg.lv](http://www.latreg.lv) ; project database [projekti.latreg.lv](http://projekti.latreg.lv) )

2.4 Following designation of Riga historic centre as a UNESCO World Heritage Site in 1997, debate was initiated on the best means of preserving and developing the central area and, on the 28th September 2000, Riga City Council took the decision to prepare the Riga City Historic Centre Preservation and Development Plan. The Plan is due for completion in July of 2004 and has been supported by Cost Action C9 of the European Co-operation in the Field of Scientific and Technical Research Fund.

A report prepared for the Management Committee meeting in March of 2004 recognises that public-private partnerships must be developed in order to attract inward and private sector investment, particularly incorporating the development of public space. Emerging documentation includes a strong focus on high quality urban design.

2.5 In 2002 the RIGA FORUM was set up with EU support. This was an international conference intended to promote balanced city development and to stimulate contacts between EU cities and the private sector. The intention was also to introduce new technologies for environmental improvement, transportation, communications, etc. and to develop more effective methods of involving young people in the city development process. It is intended that the RIGA FORUM should be repeated annually or biennially.

2.6 Also in 2002 Riga Municipality initiated the Riga Friendship City Programme, seeking to establish collaborative working relationships with other major cities in the EU. As part of this programme a Protocol of Intent was signed with the city of Liverpool for mutual co-operation, although activities to date have been limited to cultural and civic exchange.

2.8 In the last few months, Riga City Council has signed up for the PPP stream of the EU URBACT Programme. This programme forms part of the Community Initiative, URBAN, aimed at developing exchange of trans-national experience between cities and partners of the URBAN I, II and URBAN Pilot Projects.

2.9 **Riga City Budget Priorities**

The key budget priorities defined by the City Council are:

Education  
Social assistance  
City infrastructure.

In 2002, over one third of the city budget was spent on education, including refurbishment of poor building stock. The City Council, in preparing their annual report, recognised that almost all educational buildings were in poor technical condition, with dilapidated communications infrastructure. The 2002 report envisages a ten year planned renovation programme.

## 2.10 **Collaboration**

Although matters appear to be improving somewhat, there is still an apparent lack of vertical integration between national, regional and city authorities with regard to planning and economic development frameworks, including integrated transportation strategies. Horizontally a similar situation applies with an apparent lack of effective collaboration between some Ministries and between Municipalities, although the latter appears to have improved significantly in the recent past. Full co-ordination and co-operation between the respective Authorities is still some way off. In practice, Local Development Plans tend to be the most important.

## 2.11 **Development of an Integrated Transportation System**

Strategic transport initiatives are instigated at Ministry level and key members of the City Planning Department are attempting to drive a fully integrated spatial approach to planning, transportation and development, not limited to liaison with the Ministries but also including liaison with other Departments of the City Council, but clearly there are on-going difficulties.

In a symposium on the Riga City Development Plan held in February of this year, key Riga transportation problems were defined as:

- Services substantially concentrated in the central area;
- Large high-rise residential developments distant from the centre;
- Increasing number of daily commuters coming from outside the city boundaries;
- Rapidly rising private car ownership;
- Pattern of declining use of public transportation;
- Existing river crossings are focused in the city central area;
- Absence of, or inadequate multi-modal hubs linking airport, seaport, cargo railway, commuter railway, international and regional bus station, etc.

The main challenges facing the city in developing an integrated and sustainable transportation system were defined as follows:

- Absence of an efficient transport simulation model;
- Coercive compulsory purchasing processes for land necessary to achieve transport infrastructure are proving to be too complicated;
- There is a lack of available public finance for realisation of several projects at a time;
- There is a lack of technical specialists, transport engineers and skilled project managers;
- There is an absence of a genuinely integrated transport strategy which is owned and supported by all key parties.

The freeing up of the major Development Zone around the Port will either greatly exacerbate these problems or, more optimistically, will provide a unique opportunity for Riga to move forward with a genuinely integrated approach to urban regeneration and sustainable transportation systems. In this latter scenario there are obvious opportunities for UK specialists in this field. It should be noted, however, that a tender has recently been announced for the development of a sustainable transportation system for the city, but with the very low value of 200,000 lats. Nevertheless, there has been major recent growth in transportation and environmental spending, with a Government announced programme of 1 billion lats expenditure by 2020.

2.12 Two major urban regeneration projects in Riga are worthy of specific mention. Firstly, an initial "vision" has been prepared by the County Council for a major high-rise, predominantly commercial development on Kipsela Island in the Daugava River. Although there is on-going debate on the specifics of the project, the first commercial tower block by the Merks Company of Estonia is now nearing completion. The City Council, as time allows, will continue detailed development work on the project, including outreach to external partners and inward investors.

The second project - and perhaps more critically important, given the strategic scale and its importance to the economic, social and environmental future of the city - concerns the aforementioned relocation of the core activities of the Port closer to the waterfront, which will release some 1,250ha of brownfield regeneration land which, it is intended, will be fully integrated with the City Plan. Collaborative relationships with the Freeport Authorities appear to be improving, although there is no timescale for the project as yet. Nevertheless, initial proposals have been prepared for a new river crossing at two alternative locations, depending upon the Port Redevelopment Plan which is currently under review.

Major inward investment will be required and it seems probable that a dedicated delivery vehicle for the project will also be required, perhaps in the form of an Urban Development Corporation or dedicated Regeneration Agency. The City Authority has been progressively collecting information on such bodies including their use in the UK. The Port regeneration project offers significant opportunities for UK companies.

### 3.0 OUTSIDE RIGA

- 3.1 Outside the capital, other cities and regions are also progressively moving towards integrated planning and economic development frameworks, predominantly supported by PHARE funding. One of the principal objectives of the Special Preparatory Programme for the Structural Funds (SPP) was to enhance Latvia's capability to absorb and manage pre-accession financial assistance (SAPARD, ISPA and PHARE) and in turn to support the establishment of an effective institutional, legislative and administrative system to prepare Latvia for membership. Under Measure 8 of the Special Preparatory Programme Urban Development Pilot Projects have been considered for various Municipalities and Regional Development Areas which seek to combine territorial planning with integrated economic development. SPP also supports rural development pilot projects in Latvia.
- 3.2 A prominent example of this process is the Latgale Urban Development Strategy, the final draft of which was published in April 2001. This urban development project has been promoted as a pilot not just for Latgale, but for Latvia as a whole. Initiated by the Ministry of Environmental Protection and Regional Development, it is viewed by its authors as a first step in the process of developing a national urban policy concept for Latvia, as well as contributing to the formulation of a National Development Plan.



Latgale is amongst the least developed regions of all 2004 accession countries, with GDP per capita standing at only 16% of the EU average. Unemployment levels within the region are twice the national average and, in the period 1999 to 2001, a Regional Development Strategy was formulated to regenerate and re-invigorate the regional economy, with the focus on the principal towns and municipalities. The Regional Development Strategy, which was prepared with the assistance of the Belgian Planning Ministry, does not appear to be integrated with either national plans or local planning frameworks and, as with other similar frameworks in Latvia, does not include transportation in an integrated manner.

The Latgale Urban Development Strategy, forming the urban pilot project, seeks to develop the main themes of the Latgale Regional Development Strategy, but with specific focus on those issues which are particularly relevant to urban regeneration - a matter of particular relevance, given the very substantial brownfield legacy inherited from the pre-independence period.

The emphasis of the pilot project is on physical urban renewal - housing, public space, public utilities - promoting social inclusion and stimulating economic development through support for small to medium-size enterprises, entrepreneurship and training programmes in urban problem areas. The documentation of the Programme has been structured to replicate the format of an EU Structural Fund programming document as a contribution to the goal of increasing the capacity of the Latgale City and Town administrations to source, implement and manage Structural Funds in a sound and effective manner. It should be noted that although the Latgale region incorporates 17 local administrations with the Latvian legal status of a town or city, under OECD and EU classification systems only the Republican cities of Daugavpils and Rezekne would comply with the definitions of “urban” and/or “city”. While most cities and towns in Latgale would therefore be more appropriately described in UK terminology as rural settlements or villages, they nevertheless have relatively severe brownfield problems.

- 3.3 The “Republican” cities of Daugavpils (114,000 inhabitants) and Rezekne (41,000 inhabitants) are the main urban centres in Latgale, with a concentration of people and economic activities that have a regional importance. Latvian law defines Republican cities as “cities with developed industry, transport, public utility management and social infrastructure all with an important complex of cultural institutions and social care”. Although the baseline population is set at 50,000 permanent residents, an exception has been made for Rezekne. The two Republican cities have their own administrative functions and planning frameworks.

With its close proximity to the Russian border, Daugavpils became the centre for Russian heavy industry and suffered particularly badly on independence. However, as a result of its relatively strong industrial base and available skilled/semi-skilled labour supply, Daugavpils has been the most successful city outside Riga in attracting foreign investments.

Survey work carried out as part of the Latgale Urban Development Strategy defined the following key urban problems applicable to all settlements in the Latgale region, but of particular intensity in Daugavpils and Rezekne:

- Large concentrations or pockets of unemployment, in particular concentrated in high density residential areas built during the Soviet period;
- High concentrations of non-Latvian speaking unemployed, in particular Russian speaking, increasingly imposing the risk of social exclusion and a widening of the development gap between ethnic groups in the cities;
- High concentrations of social problems, including alcoholism and poor health standards;
- A significant proportion of the urban population has a history of working as productive labour in the centralised Soviet industries, skills which are of little relevance in today's markets. This is compounded by a lack of entrepreneurial spirit and knowledge of modern information technologies;
- Low quality, predominantly Russian-period housing stock in poor physical condition. Privatisation has led to a split in ownership which creates further problems for future maintenance and repair;
- Public utilities are poorly maintained and poorly managed requiring major investment;
- There is a lack of suitable business locations in the urban environments of both towns. This hampers business start-ups as well as providing an obstacle to attracting inward investment. There has been some recent adaptive re-use of abandoned or partially abandoned industrial estates, but this seems to be happening in a piecemeal manner.

Although Daugavpils and Rezekne are surrounded by attractive countryside, the quality of life inside the towns is generally low, particularly in the Soviet era residential areas. In addition, very little information is available on land quality in these brownfield urban areas and the impression is gained that, because new economic development of any sort is so essential, little attention is paid to issues of contamination and remediation, although the PHARE Programme did include some funding for land quality technical documentation and remediation and infrastructure for some industrial sites. Nevertheless, the Regional Development Strategy places little emphasis on brownfield regeneration and instead includes a specific strategy to attract investors to greenfield sites.

There is some evidence, however, that this is now changing with a progressive move towards regeneration of brownfields, with the Regional Development Agency promoting a major regeneration project on an old chemical works in Rezekne, utilizing some of the special planning and financial benefits which come from designation of Rezekne as a Special Economic Zone. Daugavpils City Council is moving forward with initial proposals for a new science park on a large, publicly owned predominantly greenfield site within the city boundaries. Visits have taken place to science parks in other parts of Europe including the UK, and project proposals are currently being assembled for submission to the EU.

The challenges facing the City Council in Daugavpils are particularly severe, with local resources being inadequate to drive the process of change necessary to meet EU deadlines, not least the major funding deadline of 2006. The City Council is injecting significant effort into independently moving towards an integrated spatial planning framework and is anxious to develop supportive collaborations with external partners skilled in the following areas:

- Spatial strategic planning systems, including integrated sustainable transportation;
- Urban development corporations and similar collaborative vehicles for delivering urban regeneration;
- Public-private partnerships;

- Specific skills relevant to the establishment of science parks, including marketing, information technology infrastructure, design and facilities management;
- Specific brownfield issues including contamination/remediation/financing.

#### 4.0 SUSTAINABLE DESIGN AND CONSTRUCTION

4.1 Not surprisingly given the legacy it has inherited from the pre-independence period, Latvia's priorities - at least for the time being - focus on bringing the existing stock, particularly housing and education, up to a reasonable standard and to develop and begin to apply consistent standards to current and future construction. In 2003 the Government recognised the importance of these matters to the wider economy and transferred responsibility for construction (other than housing) to the Ministry of Economy. In establishing a set of national construction standards, the Ministry is being supported by Scandinavian countries and by Germany, with most of the draft Building Regulations being drawn from the latter. Denmark is assisting with energy and insulation standards, including preparation for energy labelling. The parameters being developed by the Ministry of Economy will also apply to all public sector development.

The housing sector is the responsibility of the Ministry of Regional Development and Municipalities. Given the speed of change in the construction sector and the scale of the challenges facing both Ministries there are, not surprisingly, on-going problems. The most obvious of these is that current and emerging construction documentation is not fully co-ordinated, very often leaving responsibility for standards to be determined at the local level. Licensing and certification of materials and building products has advanced, but less so for contracting and consulting companies. There is, however, an increasing focus on safety issues and by the 1st January 2005 all building companies and architects and engineers will be required to hold third party insurance.

4.2 As stated earlier, the State and Municipalities still hold very large amounts of property as a legacy from the pre-independence period. The public estate is managed internally and there appears to be an on-going reluctance either to privatize some of the stock or alternatively to outsource its management. Although data collection on the subject is fragmented, the Ministry recognises the enormous cost of operating and maintaining public buildings, and early debate on the application of PFI is incorporating the issues of lifecycle costing, "best practice" public sector outsourcing, and facilities management. The Building Department is anxious that Latvia should rapidly develop skills resources in the public and private sectors in these increasingly important fields, and also in active cost control methods and project management. They recognise that this will require external support and are interested in receiving collaboration proposals, including from UK contracting companies and consultants. They are particularly interested in receiving proposals from companies with specialist knowledge in these areas to go jointly to the EU and to the EBRD for research and development funding.