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# **Latvia: The National Report on Homelessness 2006: Policy Report**

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## ***Introduction***

In the beginning of 2006 the rate of the economical development in Latvia stays high. The GDP increase in 2005 was 10.2% and in the first half of 2006 it was 12%. Economic activity has positively influenced overall employment.

Along with the issues of the political agenda such as the Structural funds of the European Union, economical and social changes after joining EU, the social issues are at the horizon of political debates. These issues are related with the improvement of the social security system, increase of the minimum wage, increasing level of pensions and childcare allowance (“parental” wages), alimony provisions for children living with one of parents, protection of the inhabitants of denationalised housing sector after the abolition of the rent ceiling, and the reduction of illegal employment. In October 2005 Latvian government adopted the *National Lisbon Programme of Latvia for 2005-2008*, which shows what Latvia is going to do in the medium term to foster growth and employment. The aim is to ensure GDP growth at 6-8% annually in the next years and to raise the employment rate up to 67% by 2010.

In 2004 the inflation rate sharply increased in Latvia and reached 7.3% (12-month inflation, December over December) and was one of the highest among the EU member states. In 2005 inflation was 7% (12-month inflation, December over December), of which 7% for goods and 6.9% for services. In parallel with the increase in oil product prices the sharp price rise in 2005 was also due to the increasing price of food products, the high exchange rate of the euro, which raised the prices of imported goods considerably and the sufficiently high second-phase effect of inflation.

The process of joining the European Union has caused the price rise for consumer goods wherewith a notable inflation starting from the very beginning of 2004. Together with the objective factors that influenced the rise of prices (rise of the price of imported goods due to the increase of the euro exchange rate, VAT application for utility payments and the increase of electricity and gas tariffs) the rising domestic demand can be mentioned as well. Notable price increase could be observed for several groups of production due to the so called “inflation expectations”. Monthly average value of consumer basket of goods and services per capita has increased dramatically. In 2005, the consumer basket was 105.5LVL, and in 1st quarter of 2006

it has increased to 112.7 LVL and have even more increased in the 2nd quarter of 2006 – 115.5 LVL (Central Statistical Bureau, 12.09.2006).

The average level of pensions allocated anew is continuing to grow. It can be explained with an increase of average wages and the decrease of early retirement (in the case of early retirement a person receives only 80% of the pension amount). To a certain extent it testifies both the increase of average income and the interest of the employed to remain in the labour market and to make social insurance payments. Old age pensions have increased from 70.9 LVL in 2004 to 80.5 LVL in 2005.

According to the *Law on Local Governments*, provision of housing is a responsibility of local governments. There are 562 local governments in Latvia and the regional aspect is an important means in reducing poverty and social exclusion.

### **1. Latvian social security system**

Latvian social security system prior to independence in 1991 was characterized by low wages, subsidies, family benefits, pensions and institutional care for the elderly and disabled. The needs of a country in transition proved to be different from a planned economy where employment was virtually guaranteed and price subsidies applied to many goods. The objective of social assistance is *'to guarantee social protection to those inhabitants who are unable to overcome certain difficulties of life and who do not receive sufficient help from any other person. Social assistance activities create a safety network for persons who do not receive sufficient income from work, social insurance payments or state social benefits, and who fulfil the duty of co-participation'* (Ministry of Welfare, 1998). Material social assistance is provided through state and local social benefits. State social benefits are mostly categorical benefits, such as family and child care benefits. Local social assistance benefits are means-tested and targeted to poor families. They can be either in cash or in kind. A housing benefit, funeral and social care allowances supplement the locally financed social assistance benefits. Within the boundaries of the law, municipalities are free to determine the kind of benefits they provide, eligibility rules and benefit levels, as well as the proportion of the municipal budget to be spent on social assistance.

To ensure the comparison of data at the international level, the analyses of expenditure for social security in comparison to the other EU countries is given according to the ESSPROS classification<sup>1</sup>: sickness/health care; disability; old age; survivors; family/children; unemployment; housing; social exclusion, not elsewhere classified.

Although the expenditure on social protection in absolute numbers continues to increase, its percentage in GDP has not increased. Social protection spending was 15.2% of GDP. Latvia has the lowest funding for health care and sickness benefits not only among the EU countries, but also among the Baltic States. The funding allocated for health care in Latvia is 6.4% of GDP.

In Latvia the provision of social benefits in cash, material benefits and social services in case of old age risk make the largest percentage of social protection expenditure as in many other EU countries. More than 90% of the total expenditure consists of expenditure for periodical cash benefits (old-age pensions and state social security benefit to persons at the age of retirement), under the function: "Old age". In Latvia the largest differences in funding allocation are observed among the functions: "Health care/sickness" and "Unemployment", which is the lowest among all the EU countries.

The lowest funding is provided for social protection expenditure, which is connected to the function: "Housing and Social Exclusion". This function mainly consists of municipal social assistance and institutional care and services for particular groups of population (asylum seekers, refugees, service apartments, rehabilitation of addicted persons etc.)

Considering the relatively high indicators of unemployment in Latvia as well as the fact that unemployment is one of the main factors impacting on social exclusion and poverty, it is vital to promote the development of new active employment measures, their compliance with the particular needs of target groups and possibility to allocate additional resources.

According to the *Law on Social Services and Social Assistance (2002)* local governments are in charge for granting of the following benefits:

1. Benefit for determination of level of Guaranteed Minimum Income (GMI):

The benefit of GMI is being granted to families or persons who have been recognized as needy according to the Regulations of Cabinet of Ministers.

The Cabinet of Ministers defines that a family or a single person is to be recognized as needy if the income per each family member during the last three months do not exceeds 50 % of the minimum wages effective in the country as to January 1 of the respective year (50% of 80 lats), and if: it does not own accumulated monetary resources in credit institutions; it does not own securities (except privatization and

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<sup>1</sup> Classification "European System of Integrated Social Protection Statistics (ESSPROS): general principles, classification of benefits in the basic system"

compensation certificates); it does not have debt obligations; it does not own property that could be used for gaining income; it has not concluded subsistence agreement; it does not depend on full state or municipal subsistence; it has not issued loans.

We note that not the monetary value of property and accumulations is limited, but their usage purpose separately dividing the part of property necessary for ensuring basic needs of a family. This and other notes are being specified by the client via completion of special declaration of subsistence means.

If the status of needy family (person) has been recognized to a family (person) then after the request of benefit social worker calculates the amount of benefit and agrees on the participation obligations of the beneficiary.

The Cabinet of Ministers has defined that the Guaranteed Minimum Income level for a person as from January 1, 2005, is 21 lats per month. The Cabinet of Ministers has entitled local governments to replace the level of 21 lats with higher one.

In order to receive the benefit for ensuring the GMI level, the family (person) must address the social office of the local government where it has registered its place of residence and submit a number of documents: application for assessment of compliance with the status of needy family (person); declaration of subsistence means of a specified form and receipts on income gained and tangible situation of the applicant and persons living together with him or her; an application for assignment of benefit for ensuring GMI level must be submitted; an agreement with the examination of information submitted in declaration of residence place must be given, and agreement on participation obligations of recipients of benefit for ensuring GMI level must be concluded.

The GMI benefit is being granted for the time period for which the status of needy family (person) has been assigned to the family (person) but not exceeding three months. After three months the person is entitled to apply the GMI benefit repeatedly. Maximum duration of receipt of benefit for one person is 9 months in the course of one calendar year.

In order to stimulate the beneficiaries to obtain income from paid work and not develop dependance on benefits, a limitation for maximum amount of benefit has been established. For one family the amount of the above mentioned benefit may not exceed the amount of three state social security benefits (currently 105 lats in total). Regulatory enactments related to determination of benefits for GMI level contain

other exceptions providing for receipt of the above mentioned benefit in a bigger amount for a longer or shorter time period.

2. A local government without assessing the income of a person (a family) may grant a single benefit to the person (the family) in an emergency situation when due to a natural disaster or previously unpredictable circumstances he/she is not able to satisfy the basic needs (in cases of burning down of house, stolen pension, money necessary for funeral, etc.).

3. A local government shall have the authority to pay also other benefits after well-grounded demand for the guaranteed minimum income benefit of the needy residents of the local government has been satisfied.

The decision on additionally paid municipal social assistance benefits and the respective conditions is being taken by the local government itself on base of financial possibilities and set priorities.

Persons must submit written applications for municipal social benefits to the social office of that municipality where a person has registered his or her place of residence.

It is important to admit that State participates in the financing of day centres for persons with mental disabilities (*Law on social services and social assistance, 2003*). According to Article No 13, State budget finances establishment and development of such centres – 80% from the total costs in year of establishment, 60% in the first year, 40% on the 2<sup>nd</sup> year, 20% in the 3<sup>rd</sup> year. Afterwards 100% have to be covered from the budget of the municipality.

State does not take responsibility of providing state policy as regards to homeless people and there are no social policy initiatives regarding homeless. Legislation on social services and social assistance does not include any paragraph in this respect.

Joint Memorandum on Social Inclusion (2003), National Action Plan on Social Inclusion (NAPIncl, 2004) does not include measures regarding homeless population. NAPIncl has mentioned homeless persons as a group at risk of social exclusion.

Policy on Social Risk groups of population has nominated several categories of persons at risk of social exclusion: pre-retirement age unemployed, young unemployed, ex-prisoners, long-term unemployed, etc.

There are several policy documents that have mentioned these risk groups. However, there are no clear state policy improvements during 2005-2006 that emphasizes the

need to assist these categories of population. All the programmes, which are developed in Latvia and are financed from the resources of ESF, still continues and the policy measures are not elaborated yet. However, the main programmes are related with:

1. Development of work practice for unemployed youth, which includes 75 projects. 608 youth unemployed will have practice placement in 49 enterprises all over the country. Young people aged 15 – 25 who have higher, secondary professional education or vocational training and who cannot get job and do not have work experience will have opportunity to receive practice placements. 49 projects will cost 2,15 mill. LVL. 75% from the Project costs are covered by ESF, and 25% - state budget. Average costs are 360LVL per month per person and the costs include establishment of practice placement, salary and transport costs for young person, salary for supervisor, administrative costs, etc. Young people will be employed 6-9 months.
2. Subsidized work places for risk groups of social exclusion, which aims at providing subsidized work places and includes 25 projects.
3. EQUAL Programme supports projects aimed at employability of disable persons, ex-prisoners, other groups at risk of social exclusion. Part of EQUAL includes also asylum seekers. However, majority of projects still continues and information on results is not available.
4. National programmes and projects include support to active labour market measures. There are three types of projects –
  - 4.1. Requalification and retraining of unemployed.
  - 4.2. Training to increase competitiveness of unemployed persons and job seekers.
  - 4.3. Training for the risk groups of social exclusion, including information and communication technology support to disable persons.

## ***2. Employment***

### **2.1. Changes in the labour market**

Employment has increased in 2005 to 63.4% (+1.1% in comparison with 2004). Employment rates in Latvian regions are still very different. In 2005 the employment

rate was 69.3% in Riga, but equalled to mere 53% in Latgale region (Eastern part) and it has to be noted that the employment rate in Latgale is not increasing.

In the context of social inclusion there are positive changes in the decrease of unemployment rate from 10.6% in 2004 to 9.3% in 2005 and 7.2% in the 2<sup>nd</sup> quarter of 2006. The long term unemployment has not changed considerably. There were 46% long-term unemployed from the total number of unemployed in 2002, 43,3% in 2004 and 45.5% in 2005 (Labour Force Survey data).

The majority of all unemployed are representatives of simple low-skilled professions, while the highest employment rate is among the people with higher education (84.7% of people with higher education were employed in 2005).

In 2005 the majority of unemployed was among the people in the age of 35-54 years. The share of pre-pension age unemployed in the total number of unemployed persons increases every year, which is mostly related to the increase of pension age according to the *Law on pensions*.

The rate of *registered unemployment* in Latvia was 8.6% at the end of 2003 and 8.5% at the end of 2004. The rate of registered unemployment was 7.4% at the end of 2005, which is by 1.1 percentage points lower than in 2004.

Latvia has a relatively high rate of *undeclared employment* in particular sectors of the national economy (construction, manufacturing, agriculture and transport services), which reduces social security benefits and does not allow to diminish the burden of labour taxes. In order to address this problem more intensively and stimulate population to be engaged in the formal economy, net wages for low-paid workers are being increased, raising the minimum wage and increasing the amount of non-taxable minimum, state control institutions are being strengthened.

The main problems in Latvian labour market are considerable regional differences in employment and unemployment, incompatibility of employee skills with labour market requirements, relatively high rate of undeclared employment, high unemployment rate among the young people, persons after childcare leave, disabled persons, people with insufficient knowledge of Latvian language and other socially excluded risk groups.

The Programme for 2005-2008 defines the following main tasks for fostering employment:

- to promote inclusive labour market;
- to encourage economic activities in less developed regions;

- to reduce the undeclared employment.

Life-cycle approach to employment, improvement and diversification of active employment measures along with development of labour market institutions, employment partnerships and social dialogue are the basic elements that make up the set of employment policy measures of the Programme.

It is envisaged to make improvements of employment promotion measures and preventive measures of unemployment reduction in the Programme, by improving professional training and retraining of the unemployed and raising skills, carrying out measures for the rise of competitiveness (among them teaching of the state language) and diversifying active employment measures in accordance with the needs of regions.

Measures related to inclusion of young people, pre-pension age people and women (especially after childcare leave) in the labour market are particularly highlighted in the Programme.

For inclusion of the disabled and people from other social exclusion risk groups in the labour market, it is envisaged to create subsidised workplaces and develop the system of social services by improving availability of professional and social rehabilitation services, integrating persons with functional disorders into society and providing them with technical aids, and improving the infrastructure of social care and social rehabilitation institutions.

In order to lessen the marked regional differences in employment rates, the Programme stresses the necessity to pay more attention and allocate resources to measures of starting business and to promotion of geographic mobility in less developed regions.

There is no single decisive measure that would guarantee substantial decrease of undeclared employment (shadow economy). Set of measures involving all interested parties is important. For that reason, the Programme foresees solution of the problem both by raising administrative capacities of the State Labour Inspectorate, improving control over observance of labour law norms, increasing the level of society's awareness about the issues of labour law, as well as developing a model of co-ordination mechanism for effective exchange of information with the adequate public administration bodies and other institutions, and by strengthening the roles of trade

unions and employer associations, encouraging employers to unite in employer organisations in order to create favourable environment for raising the reputation of socially responsible business activity, and also stresses the necessity to raise the minimum wage and increase the untaxed minimum in order to reduce tax burden on people with low income.

## **2.2. National Action Plan for Employment in Latvia**

National Action Plan for Employment in Latvia was adopted in 2005. Latvian National Plan set increasing employment goals for 2010. However, they lag behind the level set by EU. At present Latvian labour market can be characterised by two important features: (1) Latvian labour market is rather flexible and employment responds rather quickly to changes in overall macroeconomic conditions. (2) Although GDP is showing stable and significant growth, the employment growth is much smaller.

Recent employment development for age group 15-64 shows that employment rate has increased during last three years. However, employment level 61.8% (2003) is below the EU-25 average. It is above the new member states. According to Labour Force Survey, the average education level of labour force is relatively high: in 2003, 18.7% of economically active population had higher education, 66.5% - secondary education. The proportion of economically active young people is relatively low and it comprised 38.6% of the respective age group of young people in 2003. Economically active population aged 55-64 was 48% of the respective age group.

Latvian employment policy takes into account Lisbon and Stockholm employment objectives. Measures aimed at implementing the national employment policy confirm with the Joint Assessment Paper on Employment Policy Priorities of Latvia. Latvia has set the tasks aimed at achieving the priorities in employment:

- developing active and preventive labour market policies and giving priorities to assistance to unemployed, promoting geographical mobility and access to training; reducing unemployment;
- continue restructure the economy, reducing the proportion of agricultural sector employees, strengthening the role of social partners;
- reduce regional disparities, disparities between urban/rural areas;

- growth of entrepreneurship and job creation;
- increase integration opportunities in the labour market for young people, persons with low education, persons who do not know state language;
- reduce taxes;
- increase social benefits and improve social assistance;
- increase correspondence between education and training with the labour market requirements, facilitate access to education, vocational training and life long learning; ensure decrease of drop-outs;
- transform undeclared work into legal employment, to implement measures aimed at decreasing level of undeclared work.

Latvian employment policy has to contribute in achieving three overarching and interrelated objectives set in the Guidelines for employment policies: full employment, improving quality and productivity at work, strengthening social cohesion and inclusion.

### ***3. Housing security and housing policy***

Since regaining its independence in 1991, Latvia has been experiencing fundamental changes. These challenges and the transformation of the economic situation and its consequences have influenced many aspects of the life of the whole country including housing sector development in Latvia. At the same time, the attitudes of the society and professionals to the housing and its management have changed, which are quite different from the approaches within the period of centralized economy.

During the transition period the housing reforms are characterized by an emphasis on privatization of the state and municipal housing, restitution, restructuring and privatization of the housing industry, reduction of supply and demand subsidies and deregulation of real estate market. Restitution, land reform and privatization were the reforms initiated by the Latvian government, which provided the necessary foundation for the development of a real estate market.

The transformation from centralized planned system where housing construction, maintenance and reconstruction were extensively subsidized by the state, to a market-based housing system, where households are expected to pay a full price of housing services, has created a number of problems. This difficult process of adjustments in

Latvia is marked by shortage of affordable housing in urban areas, deterioration of existing housing in all tenure types, lack of adequate investment mechanisms to provide the quality and sustainability of the housing sector.

Homeless people and people already evicted in accordance with court decisions have no a legally enforceable access to housing. People threatened by homelessness are evicted only on base of court decisions and mainly to old houses without facilities.

Housing legislation in Latvia consists from two relative parts: property rights and tenants' rights. Under the Soviet regime, Latvia's housing stock was characterized by a large state rental sector and a much smaller private sector. Laws about housing restitution were very important concerning housing property rights and declared, that *housing property rights had been renewed to former owners* (to persons who were owners in July 1940) or their heirs regardless to their citizenship.

According to legislation, the tenants of denationalised housing were protected during first seven years in case they cover all the payments for rent and communal services.

Other aspect of housing property is related with legislation on housing privatization.

The real housing privatisation process has started in spring 1996 and it still continues. People who lived in municipal or state housing were offered an opportunity to privatize their dwelling. The implementation of this law meant privatization of 300 000 of municipal and state apartments and 180000 co-operative apartments. People could use their privatization vouchers(*sertifikati*) to privatize the dwelling. August 31, 2006, was the last date when persons had a right to apply for privatization of municipal or state dwelling. However, the process of housing privatization still continues.

At the same time there is a large number of people who have no right to privatise their dwellings and for whom the rent is not regulated starting from January 2007, when house owners can define the rent level by themselves and should inform their tenants about new prices six months in advance; local governments should inform one month before about changes in communal payments. This is mainly a problem of Riga, the capital, where around 25 thousand households are at risk of being evicted or not being able to cover housing costs, which will be set freely. Tenants have organized NGO to protect their rights and were willing to participate in the policy development documents – for example, JIM, NAPIncl. During the development of NAPIncl, one of the most active was NGO “Union of the Residents of Latvia” joined active

discussions about “rent ceiling” withdrawal and the question about inhabitants of denationalised houses, especially pensioners.

Neither government, nor municipalities have real measures how to secure population who live in denationalized housing. In 2005, Riga municipality has initiated support for Riga inhabitants to partly cover the costs of buying new apartment or building a house, however, the number of persons who received assistance was insufficient and the volume of assistance was not compatible with the costs of housing.

There are no reliable data on the number of evicted persons during the last 15 years, and there is no real policy how to secure all the citizens who reside in denationalized housing.

### **3.1. Policy documents**

Housing issue is addressed in several new policy documents.

*National Development Plan (NAP, 2006)* emphasizes that Access to housing is influenced by the average living standards in the country, therefore from the perspective of macroeconomic development the state participation in the development of housing has to be evaluated as essential investment in the human development.

One of the most important indicators of level of living is provision with quality accommodation, which at the same time is a precondition of health and active life. Low income of population and comparatively high housing costs prevent (prohibit) many households from maintenance and renovation. That in turn, is a precondition of housing segregation because the more wealthy households chose to move to higher quality housing.

NAP emphasizes that, taking into account different paying capacity of population it is necessary to develop preconditions for larger variety of offered housing, i.e., development of rent sector, cooperative housing based on inhabitants resources, development of state and private partnership in the building sector, development of construction in the regions.

NAP has defined the main tasks in the housing policy. The government has defined five main tasks to be fulfilled. First task is related with effective use of existing housing, which means progressive running of the housing, renovation and reconstruction and modernization of existing housing stock.

The second task is related with developing preconditions for manifold housing offer in the housing market. This task is important to order to increase accessibility of housing to population groups with various income levels.

The third task is particularly related with to establish and to develop an effective system of assistance to develop the housing, and to divide the main duties and responsibilities among state, municipality and individual.

The fourth and fifth tasks are related with development of quality management of the new system and to establish a system for the quality assurance for the new housing. It includes also implementation of financial support instruments for some target groups. However, the NAP has mentioned only 2 basic target groups – families with children and new specialists. It has not even mentioned any poverty risk group and people at risk of eviction from the denationalized housing.

*Latvian Joint Inclusion memorandum (JIM)*, has defined the main objectives to decrease poverty and social exclusion. Provision of adequate housing is one of the main objectives of the JIM. On the basis of JIM, another policy document was developed – *National Action Plan of Social Inclusion (NAPIncl, 2005)* which has emphasized the need to develop appropriate housing for poor households. The new Strategic document on social inclusion and social protection for 2006-2008 is under development and the draft document has to finished by mid September, 2006.

*The Concept of Latvian sustainable development* identifies problems in the housing sphere and formulates the main tasks. These tasks include improvement of housing crediting (loan) system in order to facilitate the balanced development of various types of housing and trying to approximate quality of life of Latvian inhabitants with EU population.

This document has also emphasized necessity to apply new use for long-drawn buildings and old buildings. It is stressed that all inhabitants should be provided with good, healthy and safe housing and with adequate protection of consumers rights. The need of favouring conditions for physical and legal persons to improve their housing, to build or purchase new housing is also mentioned in this policy document. Energy saving and effective use of energy is mentioned as important aspect of heating of housing.

Law “*On municipal assistance of the housing problems*” determines which persons qualify for assistance to improve their housing situation, and the types of assistance. There are several types of assistance. Assistance might be directed to hiring out the

housing which belongs to municipality or is under legal use of municipality, hiring out the social housing or provision with temporary living space.

Assistance might concern replacement of housing with other rented housing.

Another type of assistance is financial assistance. There are two main types of financial assistance, defined in this law:

- lump sum allowance for maintenance or renovation of the apartment or living house;
- allowance to cover the costs of rent and communal services (apartment allowance).

The housing problem is rather complicated, and it is clear that municipalities are not able to solve the housing problem. Therefore it is decided that the state co-finances construction of housing in the territories of local governments. In 2005, the cabinet of Ministers have adopted regulations (No. 237), “*Regulations on use of state earmarked subsidies to solve housing questions*”, which determines the conditions when and how the earmarked subsidy from the state budget is used. It determines the rules of assessment of municipal proposals of housing construction, renovation of non-rented living houses, re-construction of existing buildings into housing, for finishing the construction of buildings, where construction was interrupted (including those where construction was interrupted in 1990-1991), and also for buying housing for local governments – in order to provide assistance to population.

During 2005, more than 73 thousand persons have received municipal assistance. Almost 70 thousand people have received housing allowance. Local governments have hired out municipal housing to more than 4400 persons. The total expenses on housing allowances reach almost 5 million LVL (about 6 ml. EUR) (see Table)

According to the *Law on local Governments* (1994, last Amendments in 2005), municipalities are responsible for the housing and have to provide assistance in solving the housing issue (art. 15) and the district local governments are responsible for establishment and development of shelters for homeless persons, homes for elderly (Art. 16).

**Table. Local government/Municipal assistance to help population to solve the housing problems, 2005.**

Local governments	Number of persons who have received municipal assistance	Number of persons who have received municipal housing	Number of persons who have received municipal housing allowances	Housing allowances paid in 2005, LVL
Districts	21 893	2 534	19 359	795 9077
Cities	51 338	1 907	49 431	4 082 212
Total	73 231	4 441	68 790	4 878 119

Source: CSB data.

However, the housing problem is still rather topical. It might become more critical in the capital city where more than 25 households might face sharp rent increase and/or evictions.

### **3.2. Social Housing - Situation and the Future Perspective**

Social housing development is based on the Law „*On Social apartments and social houses*” (1997). The objective of the social housing is to provide housing to low income population. The number of social housing is still inefficient. The existing quality of social housing does not provide high living standards. About 50% of the social housing does not provide modern conveniences.

Legislation related to the development and implementation of the social policy in Latvia has been developed since mid 1990s. The main ideas of these documents are the implementation the social support system for the low income and disadvantaged groups – to rent to these social groups municipality owned premises, to rent social apartments, to provide temporary apartments, to exchange rented apartments for other living space. People, which would like to and have the right to receive assistance for solving housing problems, have been registered in the municipality register for assistance.

The first national conceptual views on housing reform in Latvia were stated in two major policy documents – „*The National Action Plan*” of the National Report for Habitat II Conference and „*The Housing Policy Concept*”. This document first was developed and approved in 1996. It was based on three principles (spatial, economic,

social principle) of national housing policy. The objective of it was the following: to facilitate housing choice and access to affordable housing by establishing a system of social housing provision for socially disadvantaged groups.

According to the legislation on the rent reform at the beginning of the nineties rent ceiling has been established. The “ceiling” controls the payment for rent in all types of housing regardless of the ownership type. Local municipalities have the right to establish a lower rent. Within the rent ceiling, the actual rent charged depends on housing quality, location and other factors. The private owners have possibilities to increase the payment for the rent if they conclude a new agreement with the tenant. At present it is possible to increase the rent in restituted houses, when the contract between the owner of the apartment and the tenant is interrupted. Since 2004 there is a discussion concerning abolishing the rent ceiling in all housing stock, regardless of its ownership form.

According to the law „*On Social Apartments and Social Houses*” the assisted housing development has to be developed in Latvia. Riga City has elaborated *Social housing development program for five years (2005 – 2009)*. One of the most important objective of this program is to provide households, who need improvement of housing conditions and need social assistance to solve housing problems.

In 2003 there were 10,5 thousand people on the municipality waiting list to improve the housing conditions, among them there were 7,1 thousand people in Riga City, of which two thousands were low income households (27% on the waiting list) and 1,7 thousand (23% on the waiting list) who are municipality supported to get an apartment in a social house. The main attention in this programme was paid to the construction of rental housing stock for the municipality needs. In case the rent ceiling was abolished in 2005, up to ten thousand households join the waiting list of municipal housing. The rent ceiling was not abolished in 2005, but the process was prolonged to January 1, 2007. It means that those 10 thousand households might join the waiting list.

So far, municipalities are not able to provide affordable housing to all people who are eligible to it according to the current legislation.

The Riga City Municipality has developed *Housing Construction Programme*. It was based on the estimation of the housing needs for the people residing in the Riga City. Similar programs have been developed also in a few other bigger municipalities in

Latvia. This is one of the topical questions, which have been developed on the local municipality level.

One of the housing problems in Latvia related to household services is ability to pay rent and communal services for improving housing conditions based on their income level to pay for rent and communal service. There is high price level for services in comparison with income level. The government has delegated responsibility to set „rent ceiling” to municipalities, which are also responsible for social assistance, but prices for services usually are determined by an enterprise, which provides the service.

Research data shows that 53.0% of households regard themselves as neither rich nor poor. Almost one third (30%) of households admit that they are on the verge of poverty while 9% of regards themselves as poor. Only 7.7% households regard their financial situation as good. Quite a few – 0.1% households regard themselves wealthy.

On the local municipality level the questions concerning homeless people, people with disabilities, and people with low income are being discussed.

Lately more attention has been paid to the disadvantaged groups concerning solving their housing problems – this policy has been better developed. Next steps are taken to create policy for physical access to housing. There is a big area to work out – building regulations, standards, design guidelines and other measures for ensuring access to the built environment for people with disabilities, etc.

The demand for socially supported housing is formed not only by officially qualified insolvable people, but also those belonging to the so-called medium stratum with a salary a bit over the average one, but without the start capital for entering the housing market through real estate (privatised apartment, house) as well people of retirement age.

The present responsibility for housing at the state and municipality level prevents the development of the comprehensive housing policy in Latvia. There is a need for coordinate use of the available policy tools in the situation of the limited resources, especially for social housing development. There is a need for the development of social housing policy by involving different stakeholder groups in the discussion on housing problems, development trends and possible solutions for the creating favourable living environment for the people. There is a need for concrete tools development for the social housing policy implementation.

There still is a need to further develop comprehensive concept of social housing development and its legislative base and main instruments for its implementation on national, regional and municipal levels. Ministry of Local Governments and Regional development has planned to develop the policy on social housing. However, until September 2006, the draft documents are not available from the Dept. of Housing.

Latvian housing policy does not take into account overcrowding as an indicator for need of improvement of living conditions. It is under decision of municipalities, whether to introduce “overcrowding” as basis for improvement of living conditions of a household. There are three categories of households who may apply for the municipal assistance to improve their living conditions:

- Category 1: households who have suffered from disasters, etc.,
- Category 2: Low income households with children under 18, households with children under 18, which have been evicted from apartments, disabled, households with a disable family member, repatriants, ex-prisoners, orphan children after 18, etc.,
- Category 3 – other groups of population who need improvement of living conditions. Municipalities have a right to determine other categories.

The priority of improvement of housing conditions is given to Category 1 and Category 2.

To develop the housing policy, the government has planned to use funding from the EU resources in order to increase the social housing and renovation of unfinished housing (started during the socialism – in late 1980-ies and not finished). The approximate need or funding is around 800 thousand EUR per year for the modernization, and starting from 7 million EUR for reconstruction of unfinished housing stock (see Table).

**Table. Funding allocated for the development of social housing in Latvia**

Activity No 2	Development of technical systems (modernization) in the social housing of municipalities
2007	758 865
2008	811 985
2009	868 823
Activity No 3	Renovation of unfinished buildings and heat conservation in those buildings
2007	7 866 000
2008	7 318 800
2009	7 684 560
2010	4034280

*Source: Ministry of Local Governments and Regional development*

**Improvements in housing policy on the municipal level.** Good practice example Riga City Council has developed electronic services for inhabitants who are registered on the waiting list for improvements of housing conditions. Before that, a person willing to know about his/her place on the waiting list had to make request to the Department of Communal Services and had to wait for a written response according to legislation (2 weeks).

## **Conclusions**

Latvian National Policy documents (NAP Inclusion, National Reform programme) have emphasized the need of social inclusion of risk groups. The priorities are given to families with children and disable persons.

In the field of housing several activities have been implemented. The normative basis to support the tenants of denationalized houses has been developed. This normative basis supports families

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## Annex Tables

**Table. Persons who have received municipal assistance in 2005, incl. housing assistance**

Municipality	Number of persons who have received municipal assistance in 2005	Number of persons who are tenants of municipal housing, 2005	Number of persons who have received housing allowance in 2005	Housing allowances in 2005, total
Rīga	32 313	776	31 537	3 588 146
Daugavpils	6 871	265	6 606	134 140
Jelgava	3 988	56	3 932	119 311
Jūrmala	599	346	253	29 846
Liepāja	3 923	291	3 632	92 806
Rēzekne	1 115	26	1 089	70 584
Ventspils	2 529	147	2 382	47 379
<i>Cities, total:</i>	<i>51 338</i>	<i>1 907</i>	<i>49 431</i>	<i>4 082 212</i>
<i>Districts Total:</i>	<i>21 893</i>	<i>2 534</i>	<i>19 359</i>	<i>795 907</i>
<b>TOTAL:</b>	<b>73 231</b>	<b>4 441</b>	<b>68 790</b>	<b>4 878 118</b>

**Table. Pensions in Latvia, average per month, LVL**

	1993	1995	2000	2001	2002	2003	2004	2005
Average pensions	<sup>1</sup> 14.76	<sup>2</sup> 30.23	56.78	56.98	60.45	62.49	68.83	77.95
Old age pensions	14.74	30.17	57.79	58.16	62.14	64.34	70.89	80.53
Disability pensions	15.63	33.31	53.25	52.63	53.56	54.64	60.16	66.89
Pension in case of death of breadwinner	17.25	28.72	45.88	45.59	46.14	47.34	51.80	57.40
Long service pensions	2.87	12.97	62.70	61.55	69.69	73.08	78.11	86.95
Pensions according to special decisions	12.27	64.46	79.38	80.65	84.97	89.17	98.88	112.06

**Table. List of municipalities applied for target investments in 2006 and aims of investments**

<b>Municipality</b>	<b>Submitted projects</b>	<b>Actual, 2006</b>
<b>Riga region</b>		
Kandava district local government	Construction of social house	108 000
Ropažu district local government	Renovation of housing	52 121
Pūre parish council	Purchase of two apartments	5 000
Smārdes parish council	Purchase of three apartments	13 500
Riga municipality	Construction of rent housing, social housing, reconstruction of buildings	1 321 379
<b>Vidzeme region</b>		
Cēsis city	sociālās dzīvojamās mājas būvniecība	194 400
Bērzaune parish	Renovation of housing	53 412
<b>Latgale region</b>		
Ludza city	Reconstruction of a building, developmetn of housing	15 861
<b>Zemgale region</b>		
Bauska city	Renovation of housing, which is not rented	80 093
Skrīveri parish	Purchase of 2 apartments	4 800
<b>Kurzeme region</b>		
Kuldīga city	Construction of social house	94 784
Liepāja city	Renovation of housing, which is not rented	197 442
Saka district	Renovation of housing, which is not rented	0
<b>TOTAL</b>		<b>140 792</b>

**Table. Recipients of selected state allowances and benefits, 1991-2005**

	1991	1995	2000	2001	2002	2003	2004	2005
State social support allowance – number of recipients	x	19.6	14.2	14.8	15.0	15.2	15.8	16.3
State Family allowance – number of allowances	560	546	435	459	452	441	431	411
Funeral allowances – number of allowances	20.7	30.7	27.0	28.0	27.8	28.0	27.6	28.0

*Source: Central Statistical Bureau, 2006.*