# Latvia

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Capital: Riga
Population: 2.0 million
GNI/capita, PPP: US\$23,150

Source: The data above are drawn from the World Bank's World Development Indicators 2015.

## Nations in Transit Ratings and Averaged Scores

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Electoral Process	1.75	2.00	2.00	2.00	2.00	1.75	1.75	1.75	1.75	1.75
Civil Society	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75
Independent Media	1.50	1.50	1.75	1.75	1.75	1.75	1.75	1.75	2.00	2.00
National Democratic Governance	2.00	2.00	2.00	2.50	2.50	2.25	2.25	2.25	2.00	2.00
Local Democratic Governance	2.50	2.50	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25
Judicial Framework and Independence	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75
Corruption	3.25	3.00	3.00	3.25	3.25	3.50	3.25	3.00	3.00	3.00
Democracy Score	2.07	2.07	2.07	2.18	2.18	2.14	2.11	2.07	2.07	2.07

NOTE: The ratings reflect the consensus of Freedom House, its academic advisers, and the author(s) of this report. The opinions expressed in this report are those of the author(s). The ratings are based on a scale of 1 to 7, with 1 representing the highest level of democratic progress and 7 the lowest. The Democracy Score is an average of ratings for the categories tracked in a given year.

# Executive Summary

atvia adopted the euro as its currency in 2014 after five years of hard-won economic recovery following the 2008–09 global economic crisis, during which the country experienced a crippling recession and heavy outmigration. Average wages have returned to pre-crisis levels<sup>1</sup> and inflation in the last quarter of 2014 was negligible.<sup>2</sup>

In January 2014, Laimdota Straujuma, an economist and member of the ruling center-right Unity party, was sworn in as Latvia's first female prime minister.<sup>3</sup> Straujuma replaced Prime Minister Valdis Dombrovskis, who resigned in November 2013 after the roof of a Riga supermarket caved in, killing 54 people. Latvia will assume the presidency of the Council of the European Union (EU) in 2015.

Throughout the year, the conflict in Ukraine fueled fears of Russian diplomatic and military intervention in Latvia, which is home to a large Russophone minority. Latvia's government responded to the specter of Russian aggression by soliciting assurances of political and military support from the North Atlantic Treaty Organization (NATO)—which Latvia joined in 2004—and its individual member states, particularly the United States and the United Kingdom.

Domestically, anti-Russian sentiment in the wake of the Ukraine crisis undermined support for Latvia's largest opposition force, the pro-Russian social-democratic alliance Harmony Center. At the sparsely attended elections to the European Parliament (EP) in May, Harmony Center secured just one seat—two fewer than expected. The other pro-Russia party, Russian Union of Latvia, also received one seat. Latvia's 6 remaining EP seats went to ruling coalition members Unity (4), the Union of Greens and Farmers (1), and National Alliance (1).

In the October 2014 elections to the national parliament (Saeima), Harmony beat out all competing parties with 23 percent of the vote (down from 28 percent in 2010), but was unable to attract additional coalition partners in order to form a government. Therefore, a government was formed by the tripartite coalition of incumbent ruling parties, which had won 56 percent of the vote between them.

National Democratic Governance. The ruling coalition remained stable in 2014 under challenging political circumstances, but opinion polls show that public trust in the government and Saeima remains low. The security crisis in Eastern Ukraine loomed large on the Latvian government's foreign and domestic agenda and was a major theme in the year's two nationwide elections. The government amended immigration law as of September 2014, making it more difficult for non–EU nationals to acquire residence permits. In the summer, Latvia adopted a constitutional preamble that for the first time outlines the national narrative for a modern Latvia. Latvia's national democratic rating remains unchanged at 2.00.

Electoral Process. Latvia successfully administered European Parliament and Saeima elections in 2014. Harmony remained the largest faction in the parliament but once again it was the Unity block that formed a new ruling coalition and government. The Greens and Farmers Union controlled by magnate Aivars Lembergs increased its representation in the national parliament from 13 to 21 places. Long-awaited changes in party financing ahead of the Saeima election granted state subsidies to parliamentary parties and imposed stricter penalties for overspending. In past elections, murky party financing has resulted in overspending on electoral campaigns and given incumbent parties undue influence over electoral outcomes. Latvia's electoral process rating remains unchanged at 1.75.

Civil Society. The number of nongovernmental organizations (NGOs), including those with the official status of public benefit organization, is rising, but civil society groups struggle with financial sustainability. Most Latvians do not volunteer their time or donate money to NGOs, leaving NGOs to compete for financing from public, foreign, or EU-administered sources. Civil society groups craft public policy recommendations, but civil servants often ignore NGO advocacy. Latvia's rating for civil society remains unchanged at 1.75.

Independent Media. The economic downturn forced a number of independent media outlets to merge. Others were simply bought by a new set of owners or experienced senior editorial staff turnover. Two popular internet portals, Tvnet. Iv and Apollo.lv, merged in March 2014. Latvian media authorities temporarily suspended or fined several Russian-language stations for biased reporting and incitement to hatred during the year. Latvia's rating for independent media remains unchanged at 2.00.

Local Democratic Governance. Public opinion polls reflect a higher level of trust in municipal governments than in the national government. However, the skill level and professionalism of local government personnel are low, overall, and municipal funds are frequently misspent on unnecessary business trips and other unexplained expenses. In response to public pressure, Riga abandoned a differentiated pricing plan in 2014 for public transport services that had been intended to offset Riga's large contributions to Latvia's regional equalization fund and reduce the city's perennial budget deficit. Latvia's rating for local democratic governance remains unchanged at 2.25.

Judicial Framework and Independence. Latvia provides fair protection for fundamental rights, but excessive trial length and inappropriate pretrial detentions remain commonplace and public trust in the judiciary is low. Reforms to improve professionalism of the court system continued in 2014, as did Corruption Prevention and Combating Bureau (KNAB) investigations into allegations of corruption among judges. Prison conditions remain exceedingly poor. Latvia's rating for judicial framework and independence remains unchanged at 1.75.

Corruption. Latvia's anticorruption legislation is comprehensive but whistleblower protection remains poor and the length of court proceedings hinders the fight against graft. Nevertheless, administrative and petty corruption has diminished in recent years and the business environment has improved. Under discussion since 2012, a draft law on lobbying transparency was once again deemed unsatisfactory by government and political party leadership and returned to KNAB for further elaboration. *Latvia's rating for corruption remains unchanged at 3.00.* 

Outlook for 2015. Latvia's presidency of the Council of the European Union during the first half of 2015 will bring increased international attention to the country and keep politicians from all parties on their best behavior. Russia's relations with NATO and the EU will also influence Latvian domestic politics and the economy. Changes in the ruling coalition and government are more likely to take place in the second half of 2015, as the run-up to the 2015 presidential elections fuels discord between parties.

# Main Report

#### National Democratic Governance

2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
2.00	2.00	2.00	2.50	2.50	2.25	2.25	2.25	2.00	2.00

A tripartite coalition of right-leaning parties governed in relative harmony throughout 2014 under the leadership of Prime Minister Laimdota Straujuma, who replaced Valdis Dombrovskis in January. Dombrovskis, Latvia's longest serving prime minister, resigned in November 2013 after a supermarket roof collapsed in the Riga suburb of Zolitūde, killing 54 people. He remained in office in a caretaker capacity until 21 January, when a lengthy coalition-building process finally yielded an alliance between Straujuma's Unity bloc, the conservative National Alliance, and the Greens and Farmers Union.

The three ruling parties differ on a number of issues that were highlighted in debates before the 2014 European Parliament and Latvian parliament (Saeima) elections. Among other questions, the coalition partners disagree on how to manage insolvencies and how to liberalize the electricity market. Such differences may become more visible and destabilizing after the end of Latvia's six-month presidency of the EU in June 2015. Throughout 2014, the upcoming EU presidency acted like a corset on the body politic, suppressing political squabbles and mobilizing low-level civil servants and high-level politicians alike to cooperate efficiently.

The security crisis in Eastern Ukraine loomed large on the Latvian government's foreign and domestic agenda and was a major theme in the year's two nationwide elections. Russian warships and military planes came menacingly close to Latvian waters and airspace throughout 2014,<sup>5</sup> eliciting fears that Latvia's Russian minority might be the next to be "liberated" by Moscow. Latvian government leadership maintained a united position on the need to protect Latvia from potential Russian military aggression and lobbied hard to increase the presence of North Atlantic Treaty Organization (NATO) troops in Latvia. Public opinion polls from March 2014 indicate that an increased NATO presence was supported by 50 percent of respondents.<sup>6</sup> By year's end, Latvia—together with its Baltic neighbors, Estonia and Lithuania—had received commitments of military solidarity from NATO as a whole and several individual member states, including the United Kingdom, the United States, Germany, and Norway. Latvia also pledged to increase military spending to 2 percent of gross domestic product (GDP) by the year 2020,<sup>7</sup> with special emphasis on improved weaponry and airspace defense.

Domestically, the threat posed by a resurgent Russia prompted an amendment to immigration law intended to discourage applications for residence permits from non-EU citizen investors by raising the minimum threshold of real estate investment to €250,000.8 The residency permit restriction was intended to preempt Russia's new favored military strategy of using "little green men," or Russian irregular forces

as well as local militiamen, to invade countries in what it believes is its sphere of influence. Russia used this strategy in Ukraine, mainly preceding the annexation of Crimea. Latvia, which gained independence from the Soviet Union in 1991, fears it falls into this vulnerable category. The number of Russian Federation citizens residing in Latvia reached 51,565, or 2.5 percent of the population, in July 2014.

About 13 percent of Latvia's residents in 2014 were noncitizens. Many of these residents are ethnically Russian and speak Russian as their primary language. For some time, pro-Russian political parties like Harmony Center, with the support of a number of nongovernmental organizations (NGOs) and of the Russian government itself, have promoted a narrative about the second-class status of nonresidents, who are ineligible to hold public office or vote at the national or regional level. Residents can acquire citizenship through a naturalization process after five years of residency—a process that involves a Latvian language and history exam in most cases 10—but successive governments have ignored calls for automatic citizenship. 11 The Latvian Noncitizens' Congress organizes unofficial "elections" in which all residents of Latvia over the age of 18 may vote, but the votes do not count and the organization has no official political power. 12

Harmony Center, a left-leaning party that represents the interests of Russian-speakers, has been growing in popularity over the last few years.<sup>13</sup> A coalition between Harmony Center and the primarily ethnic Latvian–supported regional party Honor To Serve Riga won a majority in elections to the Riga city council in June 2013. Harmony Center's leader, Nils Ušakovs, has been mayor of Riga since 2009. He is ethnically Russian and draws his support from Latvia's ethnic Russian population. The party's popularity among ethnic Latvians has eroded because they do not identify with its pro-Russian position on the occupation of Crimea and the conflict in eastern Ukraine. The same is true of many Russophone voters, a reality that prompted Harmony Center to distance itself slightly from Vladimir Putin's regime as the October elections approached<sup>14</sup> and seek political support among Western social democrats, instead.<sup>15</sup> Nevertheless, the party retained its formal cooperation agreement with Putin's United Russia party at year's end.

In an opinion poll conducted in August 2014 among 801 sampled respondents belonging to ethnic minorities, 64 percent of respondents identified themselves as Latvian patriots. <sup>16</sup> This number, together with lower-than-expected support for Harmony Center in the 2014 European Parliament elections, suggests that in the current climate of distrust against Russia, ethnic differences are less ripe for political exploitation than previously feared.

Only 16 percent of respondents to a May 2014 opinion poll expressed trust in the Saeima, and just 22 percent said they trusted the Cabinet of Ministers. Trust in other public institutions was significantly higher: 38 percent of respondents expressed confidence in the court system, 53 percent in the state police, and 49 percent in the church. According to the same poll, 49 percent of respondents expressed confidence in local governments, 41 percent in the ombudsman, 39 percent in the media, and 37 percent in the president. Analysts attribute public distrust in the government and the parliament to a longstanding negative perception

of politicians, exacerbated by regular political scandals, political disputes between coalition partners, and frustration with persistent economic problems and social inequality.

In June, the government appended a preamble to the Latvian constitution (Satversme) of 1922. <sup>18</sup> The product of a year's work by one of Latvia's most respected legal scholars and a judge of the Court of Justice of the European Union, the preamble declares and protects the existence of the Latvian culture and language and defines the Latvian nation with historic references to the state established in 1918 and restored in 1991. The text codifies the Latvian national narrative while at the same time defining the state as a European democracy committed to "the sustainable and democratic development of the world." <sup>19</sup> Critics of the preamble, most notably from Harmony Center, objected to the text's references to "the Latvian nation," although the text also explicitly recognizes "the fundamental rights of all people" and declares "respect" for all ethnic minorities. In the end, the preamble was adopted with the support of 69 parliamentary deputies, while 28 voted against it.

The preamble also describes Latvia as a "socially responsible" state—a nod to widespread calls for increased social responsibility in Latvian economic policies. From 2008 to 2011, Latvia implemented painfully deep wage cuts and other austerity to overcome a debilitating economic crisis. As a result, Latvian public debt shrank significantly and the country was able to join the Eurozone in January 2014. Latvia's currency, the lats (LVL), had been pegged to the euro since 2005 while Latvia spent 9 years in the European Exchange Rate Mechanism (ERM II). The World Bank's *Doing Business* report, released in October 2014, ranked Latvia 23<sup>rd</sup> out of 189 countries and territories. 22

Despite the economic growth of the past three years, poverty persists<sup>23</sup> in many regions of Latvia and there is a significant gap between Latvians' expectations of their government and the capabilities of the administration. Most of Latvia's residents vote for right-leaning parties but prefer a greater role for the state, according to a March 2014 opinion survey by the marketing and research center SKDS.<sup>24</sup>

On 6 November, Foreign Affairs Minister Edgars Rinkēvičs came out as gay via the microblogging site Twitter, the first politician in Latvia's history to do so. His declaration invigorated a broad public debate on the civil partnership law in Latvia and LGBT issues but did not yield any concrete legislative proposals in 2014.

#### **Electoral Process**

2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
1.75	2.00	2.00	2.00	2.00	1.75	1.75	1.75	1.75	1.75

Latvia held elections to the European Parliament (EP) in May and to the Saeima in October. In late October, a new government was formed by the three incumbent ruling parties—Unity, the Union of Greens and Farmers, and the National Alliance.

Only Latvian citizens can participate in national, local, and EU parliament elections. Voters elect Saeima deputies to four-year terms, and those deputies

elect Latvia's president. The next presidential election is scheduled for May 2015. Local elections are held every four years, most recently in June 2013. European Parliamentary elections for eight Latvian deputies are held every five years.

Long-awaited reforms to the Law on Financing of Political Organizations (Parties) came into effect in January 2014. The new legislation grants state subsidies to parliamentary parties and imposes stricter penalties for overspending.<sup>25</sup> In the past, murky party financing has resulted in overspending on electoral campaigns and given incumbent parties undue influence over electoral outcomes. The new regulations stipulate that the public subsidy may be reduced in response to violations such as overspending on political agitation or failing to produce a full and correct annual report on party sponsors.

Under the Preelection Agitation Law, campaigning for the Saeima election on 4 October was permitted between 7 June and 2 October. The same law bans paid television advertising one month before the election to focus the campaign on substance. The law does permit each of the party lists to use the first public television and radio broadcasters for free advertisement 4 times per 5 minutes before during the period of 25 days before elections until the day before the election day. Despite these precautions, the 2014 campaign was very much based on personalities, rather than issues. Candidates engaged in significant negative campaigning and flooded television, radio, and billboards with advertising.

It is not uncommon in Latvia for new parties to form shortly before elections and perform well. For Latvia from the Heart, a conservative party, was founded in May 2014 by former auditor general Inguna Sudraba, a charismatic longtime critic of Latvia's bureaucratic apparatus and political leadership. During the campaign, Sudraba's opponents attacked her relentlessly on personal grounds and due to her limited political experience. After an ill-advised lunch with a Russian oligarch in Moscow, they also accused her of being too Russia-friendly, nicknaming her party "Harmony 2." Nevertheless, Latvia for the Heart's costly<sup>26</sup> political campaign proved effective, winning the party 7 of 100 parliamentary seats.

Regional Alliance of Latvia, another new party, was founded in March by Mārtiņš Bondars. Former actor and radio show host Artuss Kaimiņš became the face of the party's campaign, pledging personal transparency and an investigation into the Zolitūde supermarket roof collapse. Kaimiņš's brassy persona and direct criticism of the ruling elite captured the attention of young and undecided voters, and his party won 8 Saeima seats.

The elections brought no major change in the balance between Latvia's more established parties, but there were slight shifts. Riga mayor Nils Ušakovs's Harmony Center won 24 Saeima seats—more than any other party, but also 7 fewer than it had before the vote. Analysts attribute the decline to the party's pro-Russian stance, which became unpalatable to many voters in light of Russia's aggression in Ukraine. Meanwhile, the Union of Greens and Farmers increased its parliamentary representation by 8 seats. Aivars Lembergs, the party's theoretical pick for prime minister, has been under investigation for alleged bribery, money laundering, and abuse of office since 2008. Lembergs has been mayor of the town of Ventspils since 1988.

The parties of the incumbent coalition won a combined total of 61 Saeima seats, a solid majority. Uninterested in a joining forces with Harmony, they formed a new coalition with each other. Unity's Laimdota Straujuma remained prime minister.

In the immediate postelection period, both Unity and Harmony Center accused a Unity faction leader named Dzintars Zaķis of buying votes in eastern Latvia. The Supreme Court ruled that the election results should not be declared void in the absence of clear evidence of massive illegal activity.<sup>27</sup> The State Security Police reported no evidence of systematic electoral fraud.<sup>28</sup>

Latvia's semi-open party lists allow voters to cross out unwanted candidates. Unity deputy Solvita Āboltiņa, who had been speaker of the Saeima prior to the elections, came in fourth in the Kurzeme region where her party won three seats. However, one of the three winning candidates, Jānis Junkurs, declined his parliamentary mandate in favor of a job in Hong Kong and Āboltiņa assumed his seat. Journalists, analysts, and the general public criticized this maneuver, which they found unethical and nontransparent.<sup>29</sup>

The European Parliament elections in May pitted a Unity-led coalition against Harmony Center. Unity won four places. Harmony Center won one seat, compared to three projected by party leadership.<sup>30</sup> Iveta Grigule, a Eurosceptic politician from the Union of Greens and Farmers, ran an expensive mostly self-financed individual electoral campaign and won one EP seat. Robert Zīle, the leader of National Alliance, won a third consecutive term. So did Tatjana Ždanoka, a pro-Russian activist who supports Russia's occupation of Crimea. Former prime minister Dombrovskis, having campaigned unsuccessfully to become President of the European Council, was named one of the European Commission's six vice-presidents in September.

Voters in EP and municipal elections are obliged to register 90 days prior to the polls. After the May EP elections, some experts argued that this requirement had contributed to poor turnout—30.24 percent, the lowest in democratic Latvia's history.<sup>31</sup> Turnout for the Saeima elections was 58.85 percent.<sup>32</sup>

# Civil Society

2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75

Latvia's constitution guarantees the right to form associations, political parties, and trade unions and protects the right for workers to strike.<sup>33</sup> Many professional, industrial, and social associations operate in Latvia. Most media outlets consider civil society groups independent and reliable sources of information and commentary. The number of NGOs has been increasing: as of March 2014, there were 18,450 registered NGOs in the country, compared to 17,550 in July 2013.<sup>34</sup>

NGOs participate in the policymaking process but their lack of expertise and administrative capacity sometimes hinders meaningful contributions.<sup>35</sup> The National Tripartite Cooperation Council, a negotiation forum for employers,

government officials, and trade union leaders, played a role in reaching an agreement to increase the minimum wage in Latvia starting in 2014.<sup>36</sup>

Most Latvians consider themselves too poor to donate to NGOs, making it difficult to create a sustainable and proactive civil society ecosystem. NGOs can apply for public benefit organization status, which allows their donors to receive income tax deductions. The State Revenue Service awards this status if it deems that the organization's activities serve the public good in line with legally defined criteria.<sup>37</sup> During 2014, 307 NGOs newly applied for public benefit organization status and 248 received it.<sup>38</sup> Some entrepreneurs fund pet NGOs that host annual charity events, but otherwise revolve around their founders' hobbies and do not undertake civil society initiatives.<sup>39</sup>

Since 2012, the government has been working on new regulations intended to incentivize and facilitate volunteer work, which is not popular in Latvia. In April 2014, the parliament adopted legislation defining voluntary work and the restrictions on it, as well as the rights and duties of volunteers and NGOs; additional streamlining of the regulations to prevent entrepreneurs from abusing free labor was under discussion at year's end.<sup>40</sup>

Changes in the Associations and Foundations Law in 2014 reduced some of the more onerous administrative requirements for NGOs.<sup>41</sup> The government also adopted a concept on the creation of a state NGO fund to strengthen the capacity of the third sector.<sup>42</sup> Rules regulating the Cabinet of Ministers' ability to finance private entities were approved in June.<sup>43</sup> In October, the government approved a concept on social entrepreneurship and a pilot project that is intended to engage private business organizations in addressing particular social problems.<sup>44</sup>

Some state institutions have come up with their own initiatives to involve civil society in government operations. In 2012, the State Chancellery, the central public administration institution directly subordinated to the prime minister, launched an internet tool (Mazināsim slogu kopā, or "Let's Reduce the Burden Together"), through which citizens submit examples of ineffective bureaucratic procedures. <sup>45</sup> A related, mobile phone–based service introduced in November 2014 also allows users to report the effectiveness of state institutions to the Chancellery. <sup>46</sup>

Since 2011, an internet platform created by two young entrepreneurs has allowed people to submit policy initiatives and collect signatures of support. If an initiative posted to a platform like Mana Balss (My Voice) wins support from 10,000 backers, it is included in the agenda of the parliament. The Since the site's launch, 12 initiatives have collected the requisite number of signatures, with 7 becoming laws after debates in the Saeima. The project receives financial support from the state's Society Integration Foundation, as well as from the governments of Norway, Iceland, and Liechtenstein; the communications agency Edelman Affiliate; and the United States embassy in Riga.

About one-third of residents speak Russian as their first language. In 2012, Latvian citizens overwhelmingly voted against the introduction of Russian as the country's second official language. <sup>50</sup> In 2014, the Russophone minority party Latvia's Russian Union and the NGO Russian School Defense Headquarter continued to

petition the Ministry of Education against increases in the number of subjects to be taught exclusively in Latvian in public schools.<sup>51</sup> All civil servants—including public school teachers—are required to demonstrate proficiency in the official state language and may be fined if the State Language Center finds their knowledge of Latvian to be insufficient; 55 teachers and 24 teachers' assistants received such fines in 2014.<sup>52</sup> Throughout 2014, schoolteachers agitated for increased state funding for education in the 2015 budget.<sup>53</sup>

Latvia ranked 15<sup>th</sup> out of 142 countries in the World Economic Forum's *Global Gender Gap Report 2014*, signaling a small or invisible gender gap on most indicators.<sup>54</sup> Although women hold two of the three highest political offices in Latvia, they remain quantitatively underrepresented in politics, overall. After the October elections, only 4 of 14 government posts and 20 percent of the seats in the Saeima were occupied by women.<sup>55</sup> At the same time, 4 of Latvia's 8 MEPs are female.

### Independent Media

2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
1.50	1.50	1.75	1.75	1.75	1.75	1.75	1.75	2.00	2.00

For two decades, Latvia has had a very diverse range of media outlets in both the Latvian and Russian languages, but economic pressure and changing media orientations have forced many of them to consolidate or close operations in recent years. Most of the population is unwilling to pay for information when free alternatives are available.<sup>56</sup> The influx of Russian-language propaganda from the Russian Federation onto Latvia's airwaves in 2014 prompted Latvian media authorities to suspend or fine several Russian-language stations for biased reporting and incitement of hatred.

Despite economic constraints, people in Latvia have access to a broad spectrum of news outlets, and several insightful investigative journalism programs are broadcast on television. Re:TV, an online outlet for Latvian-language regional television programs, grew in popularity during the year.<sup>57</sup>

Latvian newspapers have lost great sums of money in recent years as advertising revenues continue to fall and advertisers focus on broadcast and internet outlets. Even though total media advertising rose to €36.2 million in the first half of 2014, the overall trends show stagnation<sup>58</sup> and according to analysts media in Latvia have not managed to overcome the economic crisis.<sup>59</sup> Publishers are asking journalists to do more for lower pay, resulting in a rapid turnover of reporters and management. The daily *Diena* has gone through 8 editors in the last 6 years, trapped in a vicious cycle of falling ad sales and plunging circulation.

In late 2013, the owners of TV3 and Latvian Independent Television (LNT), which suffered major losses in 2012 and 2013,<sup>60</sup> decided to move both channels to cable, citing "the unstable situation in the sector during the past few years." The company estimated that about 7 percent of the stations' viewers (those without cable) would be affected by the change.

The merger between public service television and radio outlets began in 2014, despite opposition from Latvian public radio stations, which account for almost half of the national radio audience. The merger, which is intended to cut costs, will proceed over 5 years and is expected to cost about \$81.7 million.<sup>62</sup>

In 2014, the Russian Federation increasingly used its state-owned media for information campaigns targeting large Russian-speaking minorities in neighboring states. Citing Article 26 of the Electronic Media Law of Latvia, which prohibits hate speech or incitement to war,<sup>63</sup> Latvia's National Electronic Mass Media Council (NEPLP) suspended broadcasts of all of the programs on the Russian channel Rossiya RTR from April to July.<sup>64</sup> NEPLP's judgment also cited the Latvian Security Police's statement that events in Ukraine in several Rossiya reports had been presented in a way that justified "military aggression against a sovereign state."

In October, NEPLP fined First Baltic Channel (PBK)—the most popular Russian television channel in the Baltics, which primarily broadcasts programs produced in Russia—three times for broadcasting "non-objective" information about the fighting in Ukraine. <sup>65</sup> NEPLP also fined SIA Autoradio Rezekne a lesser amount for similar reasons. <sup>66</sup>

The controversy over such suspensions—which also occurred in Lithuania, Moldova, and Ukraine—raised interest in creating a pan-Baltic or pan-European Russian language channel to provide Russian speakers in the region with accurate information from a more pro-Western perspective. Latvian minister of foreign affairs Edgars Rinkēvičs participated in negotiations for such a station with EU partners at year's end.

In 2014, 75 percent of Latvian residents used the internet and 63 percent used it daily.<sup>67</sup> Among those aged 15 to 19, the daily access rate was 95 percent.<sup>68</sup> Upwards of 38 percent of households use smartphones for internet access. All national newspapers and many regional ones have an online presence; they compete with online-only news aggregators such as TVnet.lv, Apollo.lv, and Delfi.lv, which primarily recycle news provided by Latvia's major outlets, Leta and the Baltic News Service (BNS). Lsm.lv—a relative newcomer resulting from the mergers within the national radio and television channels—is gaining increasing popularity as an alternative to LETA and BNS. In March 2014, TVnet.lv acquired Apollo. lv, raising some worries about increased concentration of ownership of popular online media.<sup>69</sup> (The change did not visibly affected Apollo.lv's content in 2014.) Investigative journalism portals such as Pietiek.com, RE-Baltica.lv, Diena.lv, and DienasBizness.lv are gaining ground, as well.

#### Local Democratic Governance

2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
2.50	2.50	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25

The responsibilities of municipal governments are broad and include the oversight of primary and secondary education, social assistance (except pensions and family

care benefits), health care, water supply, sewage, local roads, and housing. A 2009 reform consolidated more than 500 local units into a smaller number of municipalities and cities. Still, 39 municipalities still have fewer than 5,000 people, and their local administrations are not able to fulfill all mandated functions. In 2013, the Saeima has tasked the Ministry of Environmental Protection and Regional Development (VARAM) to assess and propose changes to improve local decision-making. Ahead of the last municipal elections in 2013, the parliament approved an initiative to reduce the number of deputies in local governments to reflect the size of local populations. The 39 smallest constituencies thus saw their council representation reduced to 9 people each.

Local governments receive higher trust ratings than many other state organizations. In a May 2014 poll, 49 percent of respondents reported trust in local government.<sup>72</sup> Two-thirds of the country's municipal mayors were reelected by their respective councils in June 2013. There is a greater degree of personal interaction between inhabitants and council representatives, and more flexibility and cooperation between deputies of different political persuasions at the municipal level. Political party adherence has been fluid.

At the same time, the State Audit Office of Latvia regularly finds evidence that municipal funds are frequently misspent. Reports show that many municipal officials lack the understanding or willingness to apply mandatory state requirements on accounting.<sup>73</sup> These officials often spend public money on business trips (especially to exotic places) without proper explanation of their goals or how they are spending their time.<sup>74</sup> Some team-building events are also paid for with public funds, most often without proper documentation justifying expenses.

All municipalities depend on funding from personal income tax, property tax, gambling tax, and natural resource tax. Because of uneven distribution of wealth and economic activity, an equalization fund allows for the transfer of money from wealthier to the more impoverished municipalities. Seventeen local governments will be paying funds out, while ninety-one will be receiving them. The city of Riga alone will contribute 73.83 percent of the total assets of the equalization fund in 2015.<sup>75</sup> To strike a balance with the equalization payments, in 2013 Riga lowered public-transportation charges for card-carrying Riga inhabitants, and doubled the fees for outsiders. Opponents of the plan collected 10,000 signatures on Mana Balss, thus sending the initiative for debate in the parliament. Riga abandoned the differentiated pricing plan in 2014 in the face of public outrage, but not before 7,625 people had newly registered as residents of Riga.<sup>76</sup>

## Judicial Framework and Independence

2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75

Latvia provides protection for most fundamental political, civil, and human rights in both law and practice. The country's judiciary includes courts of first instance,

regional courts, the Supreme Court, and the Constitutional Court. A Judicial Ethics Commission established in 2008 is responsible for reviewing suspected ethics violations and providing counsel to judges.77 In 2009, the Cabinet of Ministers adopted regulations requiring a rigorous selection procedure for first-time candidates for judicial posts.

A new system for assessing judges' performance came into force in 2013. An evaluation of the system's first year, published in May 2014, demonstrated some room for improvement in the methodology of assessments; during the first year, 165 judges received generally positive evaluations, while only 2 received poor marks.<sup>78</sup> The new system is aimed at increasing judges' qualifications and, ultimately, the quality of the sentences they pass.

The long duration of court processes and sentencing still remains the central problem of the judicial system at the end of 2014, though legal amendments adopted in 2013 appear to have accelerated some cases by reducing administrative burdens on judges. <sup>79</sup> Extended sentencing is a violation of human rights and damages trust in the Latvian court system.

Latvian politicians respect judicial independence, although occasional disagreements between the executive and judicial powers occur. In 2013, Justice Minister Jānis Bordāns refused to approve a second term for Judge Sandra Strence as chairperson of the Riga Regional Court, and instead used his legal authority to appoint another judge to the position.<sup>80</sup>

The transparency of bankruptcy proceedings was a topic of much discussion and debate in 2014. In 2014, the parliament adopted legal amendments aimed at reducing corruption among insolvency administrators and accelerating insolvency procedures. Under the new legislation, which goes into effect in 2015, insolvency administrators have the legal status of public officials: they must disclose their full income and its sources, and they cannot serve as lawyers and insolvency administration simultaneously. The period for insolvency procedures for smaller and less complex cases will be shortened, as well. Perhaps most significantly, board members will be financially liable for their companies' tax debts.<sup>81</sup>

Lawmakers also discussed the related problem of corporate raids—lawful or unlawful grabs of companies or their assets, which have become a more visible problem in Latvia since the economy nearly collapsed in 2009. The need to address the issue is championed by financial institutions like Norvik Bank, which says that it has been "swindled" by "one of the biggest financial machinations in the history of Latvia" that should be unacceptable "in any democratic state." 82

Throughout 2014, Latvian citizens and politicians demanded a wide-ranging and transparent investigation into the deadly collapse of a supermarket roof in Zolitūde in late 2013. After the October elections, the Saeima established its own committee to investigate the tragedy, one of the worst in modern Latvian history. However, the state's investigation was still only in its pre-court investigative stage at year's end.

The court system's reputation is sometimes compromised by allegations of corruption and unethical behavior by judges. In September, the Corruption

Prevention and Combating Bureau (KNAB) initiated a case against Jūrmala City Court Judge Tatjana Bormane for suspected falsification of documents. In November, KNAB detained Riga District Court Judge Iveta Bērziņa as a suspect in a criminal investigation, the details of which were not public at year's end.<sup>83</sup>

Abuse in Latvian detention and prison facilities remains a concern. A report by the Council of Europe's Committee Against Torture (CAT) following its 2011 visit to Latvia found that violence among prisoners was a problem in all of the visited prison facilities, and that many inmates were denied proper health care. <sup>84</sup> In November 2014, the government finally agreed to start construction of the first new prison in Liepāja, Latvia's third-largest city. Construction is expected to cost \$95.3 million and conclude in 2018. <sup>85</sup>

Latvia's current human rights ombudsman, Juris Jansons, kept the public profile of the office high in 2014, advocating for accelerated reform of the child welfare system, <sup>86</sup> timelier court processes, improved pre-trial investigations, and pension reform, among other issues. When the government proposed to limit the health care services available to people engaged in tax-evasion schemes, Jansons criticized the proposal as unconstitutional. <sup>87</sup>

# Corruption

2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
3.25	3.00	3.00	3.25	3.25	3.50	3.25	3.25	3.25	3.25

In Transparency International's 2013 Global Corruption Barometer, 68 percent of Latvian respondents described political parties as corrupt or extremely corrupt and 63 percent viewed public servants and civil officials in the same light. Some 29.5 percent of respondents to a survey commissioned by KNAB in April 2014 admitted at least some willingness to bribe a public official, an improvement over the 39.4 percent who said this in 2007.

Latvia has seen a gradual reduction of so-called administrative corruption as well as improvements within its business environment. The World Bank's Doing Business assessment, released in October 2014, ranked Latvia 23<sup>rd</sup> of 189 countries and territories—up one spot from 2013—and showed progress on several indicators.<sup>90</sup>

In recognition of the country's strong anticorruption legal framework, in 2014 Latvia was allowed to join the Anti-bribery Convention of the Organization for Economic Cooperation and Development (OECD).<sup>91</sup> However, some gaps in anticorruption legislation remain, particularly where lobbying transparency and whistleblower protections are concerned. Since 2012, KNAB has championed the introduction of legislation that would require public institutions to disclose information about lobbyists online,<sup>92</sup> but so far public institutions have not reached agreement on the definition of a "lobbyist." In February 2014, government and political party leadership returned yet another "unsatisfactory" draft of the law to KNAB for further elaboration.<sup>93</sup> Labor law prohibits retaliation against employees

who report administrative or criminal violations to competent bodies, but a victimized whistleblower currently can only seek compensation through lengthy court procedures and carries the burden of proof against defamation charges. In September 2014, a long-awaited working group on whistleblower legislation was formed under the auspices of the prime minister of Latvia, with NGO participation.<sup>94</sup>

In August 2013, the government approved amendments to the State Civil Service Law to ensure a more centralized, impartial, and merit-based selection of heads of public bodies. <sup>95</sup> Amendments that came into effect in June 2014 also give a candidate the right to know why he or she was not hired for a particular post and to appeal the decision before the relevant institution. A new accounting system introduced in January 2014 requires public servants to provide detailed hourly information on their activities—a stipulation that some consider overzealous.

KNAB—an independent public administration institution under the supervision of the Cabinet of Ministers—has a strong record of investigating official corruption and remains the driver of Latvia's anti-graft efforts. In recent years, internal politics have prompted some experienced investigators to leave the agency and an ongoing conflict between KNAB director Jaroslavs Streļčenoks and former deputy director Juta Strīķe has damaged the organization's public image. <sup>96</sup> Nevertheless, KNAB remained an active and powerful force throughout 2014. In January, it sent materials to the attorney general's office that prompted an alleged bribery investigation against 5 officials from the Riga municipality transportation department and 13 private individuals. <sup>97</sup> KNAB also charged two detectives from the Economic Crime Fighting Unit in February 2014 of leaking state secrets and violating the law on movement of strategic goods in return for a bribe. <sup>98</sup> Two judges (see Judicial Framework and Independence section) also came under criminal investigation in 2104 due to KNAB's work. At year's end, there were unconfirmed reports that several more judges were under investigation on corruption charges.

The length of court proceedings in complicated criminal matters hampers Latvia's fight against corruption; few prominent corruption cases have reached final court decisions. A suspected fraud scheme concerning digitalization of television in Latvia has remained in the court of first instance since 2007.<sup>99</sup> In February 2014, the court finally concluded its investigations so that hearings could begin; they were ongoing at year's end.<sup>100</sup> A corruption case against Ventspils mayor Lembergs has been in the court of first instance since 2008. A case of suspected bribery at the University Children's Hospital has been pending in the court of first instance since 2010. The defendants hope that the courts will apply Section 49.1 of the Latvia's criminal law, which allows for milder sentences when the right to justice in reasonable time has been violated.<sup>101</sup>

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