Latvia

by Daunis Auers

Capital: Riga
Population: 1.96 million
GNI/capita, PPP: $26,090

Source: World Bank World Development Indicators.

### Nations in Transit Ratings and Averaged Scores

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>National Democratic Governance</td>
<td>2.50</td>
<td>2.50</td>
<td>2.25</td>
<td>2.25</td>
<td>2.25</td>
<td>2.00</td>
<td>2.00</td>
<td>2.00</td>
<td>2.00</td>
<td>2.00</td>
</tr>
<tr>
<td>Electoral Process</td>
<td>2.00</td>
<td>2.00</td>
<td>1.75</td>
<td>1.75</td>
<td>1.75</td>
<td>1.75</td>
<td>1.75</td>
<td>1.75</td>
<td>1.75</td>
<td>1.75</td>
</tr>
<tr>
<td>Civil Society</td>
<td>1.75</td>
<td>1.75</td>
<td>1.75</td>
<td>1.75</td>
<td>1.75</td>
<td>1.75</td>
<td>1.75</td>
<td>1.75</td>
<td>1.75</td>
<td>1.75</td>
</tr>
<tr>
<td>Independent Media</td>
<td>1.75</td>
<td>1.75</td>
<td>1.75</td>
<td>1.75</td>
<td>1.75</td>
<td>2.00</td>
<td>2.00</td>
<td>2.00</td>
<td>2.00</td>
<td>2.00</td>
</tr>
<tr>
<td>Local Democratic Governance</td>
<td>2.25</td>
<td>2.25</td>
<td>2.25</td>
<td>2.25</td>
<td>2.25</td>
<td>2.25</td>
<td>2.25</td>
<td>2.25</td>
<td>2.25</td>
<td>2.25</td>
</tr>
<tr>
<td>Judicial Framework and Independence</td>
<td>1.75</td>
<td>1.75</td>
<td>1.75</td>
<td>1.75</td>
<td>1.75</td>
<td>1.75</td>
<td>1.75</td>
<td>1.75</td>
<td>1.50</td>
<td>1.50</td>
</tr>
<tr>
<td>Corruption</td>
<td>3.25</td>
<td>3.25</td>
<td>3.50</td>
<td>3.25</td>
<td>3.00</td>
<td>3.00</td>
<td>3.00</td>
<td>3.00</td>
<td>3.00</td>
<td>3.00</td>
</tr>
<tr>
<td>Democracy Score</td>
<td>2.18</td>
<td>2.18</td>
<td>2.14</td>
<td>2.11</td>
<td>2.07</td>
<td>2.07</td>
<td>2.07</td>
<td>2.07</td>
<td>2.04</td>
<td>2.07</td>
</tr>
</tbody>
</table>

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

Latvia continued on its path to becoming a stable north European democracy in 2017. Indeed, there was some celebration early in the year when Latvian MEP Artis Pabriks tweeted that the United Nations (UN) had reclassified the Baltic states as “North European,” rather than “East European,” although it later emerged that the UN classification had actually been in place for over 20 years. Debates on reform of key policy areas—taxation, health care, and the education system—dominated much of the year. Municipal elections in June passed without incident and the OECD’s first annual report on Latvia since its accession to the organization the previous year praised Latvia’s recent reforms.

Relations with Russia remained frosty, especially during Russia’s extensive Zapad military exercises on Latvia’s border in September, although NATO forces continued to expand their presence in Latvia, with 450 Canadian troops deploying to Latvia to lead a 1,000-person strong battlegroup that also included soldiers from Albania, Italy, Poland, Slovenia, and Spain. Domestic military capacity was raised through increased spending on defense (up to 1.7 percent of GDP and projected to finally reach the NATO recommendation of 2 percent in 2018). In March, the Latvian parliament adopted amendments to the Commercial Law and the National Security Law that give the government a veto over the whole or partial sale of companies that have “strategic importance” to Latvia, such as those in the energy and “electronic information” (TV and radio) sectors.

However, enduring weaknesses in Latvia’s political system have not disappeared. In late spring, the liberal weekly current affairs magazine Ir published a series of leaked transcripts of conversations secretly taped in a luxury hotel from 2009 and 2011 between several leading influential political figures, known as “oligarchs” in Latvia. Although some of the tapes were recorded almost a decade ago, they featured several government ministers and other prominent political figures. Furthermore, Latvia’s party system returned to a period of flux and uncertainty as political parties in the liberal center began fracturing, merging, and being born anew in preparation for the October 2018 parliamentary elections.

In addition to a substantial reform of the tax law, the Education Ministry merged the Riga Pedagogical Academy (RPIVA) with the University of Latvia as the first step in downsizing Latvia’s 55 higher education institutions to a more manageable number. Although RPIVA staff fiercely opposed the reform, it went ahead on schedule. The education minister, Kārlis Šadurskis, pursued further plans to close small rural schools, as well as to gradually phase out minority language schools in the state sector. In the early months of the year, the Latvian parliament finally set up a small Research Unit to provide research support for deputies. Sweeping reforms of the public sector were also announced, but then stalled. In January, the head of Latvia’s civil service, Martins Krīviņš, announced plans to reform the civil service by cutting the number of civil servants by 7-10 percent over 2017-2019, beginning primarily through a hiring freeze. Salaries would also rise, so that senior civil servants could earn up to €5,000 ($5,800) a month, making their salaries more competitive with the private sector. Other savings will also be achieved by centralizing certain functions, such as accounting and IT services. Although Krīviņš resigned in March following the prime minister’s accusation that he was centralizing too much power, his successor planned to continue the reform.

President Raimonds Vējonis, back to full strength after health scares in recent years, proposed granting automatic citizenship to the children of non-citizens born in Latvia. However, parliament rejected this proposal after the National Alliance threatened to bring down the governing coalition.

A working group at the Latvian parliament proposed two possible reforms to the current controversial system of electing the president, in which an absolute majority of 100 parliamentarians elects the position. One option is based on the Estonian system—an Electoral College of 200 worthies consisting of 100 parliamentary deputies and another 100 local government leaders—while the other calls for the direct election of the president by citizens. However, there have been intermittent discussions on reforming the election of the president for a quarter century, and history indicates that lawmakers are unlikely to accept radical reforms to the presidency. The working group also proposed enhancing the powers of the president by giving the office the power to nominate the State Controller (chief auditor), Ombudsman, Governor of
the Bank of Latvia, and anticorruption chief; it also proposed an impeachment process. These proposals spent much of the year being debated—or arguably bogged down—in various parliamentary committees.¹¹

Finally, in a surprising turn of events, parliamentary deputies representing the government coalition eradicated the “deputy quotas” that attracted significant negative attention in recent years. In previous years, every parliamentary deputy was allocated a sum of money from the annual government budget that could be spent on various projects—typically connected to specific NGOs or rural towns and villages—supported by individual lawmakers. In 2016, the parliament had allocated about €28 million ($32.5 million), or €280,000 ($325,500) per deputy, to these quotas. The coalition parties eradicated the practice in 2017.¹²

Score Changes:

- **Civil Society declined from 1.75 to 2.00** due to the increased role of illiberal groups, and long-term issues of the civil sector being unable to achieve financial sustainability.

As a result, Latvia’s Democracy Score declined from 2.04 to 2.07.

**Outlook for 2018:** Parliamentary elections in October will dominate Latvian politics in 2018. However, it will also mark the centenary of Latvia’s independence, and the calendar will be full of various cultural and political activities marking the event, culminating in the Latvian Song and Dance Festival in July. Ethnic tensions will rise as the government enacts a school reform that will significantly cut the number of hours of non-Latvian language teaching in public schools. Latvia’s large nonresident banking sector will continue to face increased domestic and international scrutiny, a trend that began with Latvia’s negotiations to join the OECD in 2016.
Main Report

National Democratic Governance

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2.50</td>
<td>2.50</td>
<td>2.25</td>
<td>2.25</td>
<td>2.25</td>
<td>2.00</td>
<td>2.00</td>
<td>2.00</td>
<td>2.00</td>
<td>2.00</td>
</tr>
</tbody>
</table>

- Latvia’s three-party governing coalition (Union of Greens and Farmers, Unity, and the National Alliance) has governed since the last parliamentary election in 2014 and experienced a stable, even productive, year in office. Prime Minister Māris Kučinskis, who many observers had initially described as a conservative or even reactionary figure upon taking office in January 2016, skillfully introduced a significant reform of Latvia’s tax system and his cabinet began discussing significant reforms to the health and education sectors. However, the Unity party continued to fragment over the course of 2017, with Unity parliamentarians resigning from the party but typically remaining in the party group and voting with the party. The opposition pro-Russian-language Social Democratic Party “Harmony” collected the largest share of votes in the Riga municipal election and saw the city’s mayor, Harmony leader Nils Ušakovs, returned to office for a third term. Ušakovs continued to modernize the party, allowing a cooperation agreement with Vladimir Putin’s United Russia to lapse and then bringing the party into the Party of European Socialists, the European Parliament grouping for national social-democratic parties from EU states, in November 2017.

- Two decades after a flat tax was first adopted in 1997, from 2018 Latvia will have a progressive tax system that aims to tackle growing income inequality with income tax rates of 20 percent, 23 percent, and 31.4 percent. The new tax code also tackles low rates of business investment by replacing the corporate tax rate of 15 percent with a zero percent tax on profits reinvested into the company and 20 percent on profits that are taken out of the company. Economists and business leaders are divided on the expected impact of the reforms on the Latvian economy, but the prime minister and his finance minister, Dana Reizniece-Ozola (also from the Union of Greens and Farmers), received praise for their ability to enact the reform. Moreover, the reform process saw unusually wide and public consultations with trade unions, business associations, and academics, as well as detailed competing proposals and comments from the World Bank, OECD, the European Commission, and domestic think-tanks.

- This growing reputation for steady political management has seen the Union of Greens and Farmers remain the most popular of the three coalition parties throughout 2017. The Union of Greens and Farmers’ popularity remained steady despite the “Oligarch Transcripts” scandal engulfing Aivars Lembergs, who the Green/Farmers nominated as a potential prime minister in the past and who has long been recognized as the most influential figure within the party.

- The radical right populist National Alliance party, another member of the governing coalition, also experienced a solid 2017. The party regularly mobilized its electorate by criticizing the European Union’s refugee relocation program and also successfully argued for more spending on “demographic” policies—essentially increased child and other benefits for young families—in cabinet debates on the 2018 budget.

- In contrast, however, the third coalition partner Unity continued its long-term decline. Many rank-and-file members have resigned and the party owes advertising agencies €120,000 ($140,000), back taxes of €19,000 ($22,000), as well as €12,000 ($14,000) in salaries to staff in its central office. Most damagingly, five Unity parliamentary deputies resigned from the party (but continued to vote with the party) in the summer. They eventually co-founded a new liberal party, Movement For!, that will be in direct competition with Unity for moderate voters in the October 2018 elections. In August, the remaining rump of Unity members elected a new party chairman, Economics Minister Arvils Ašeradens, a serious technocrat and respected former businessman, to reform and lead the party into
The election. In October, Ašeradens announced that he was stepping down from his ministerial position to head his party’s parliamentary faction and focus on the run-up to the election, although he later backtracked, deciding that staying in post would allow both him and Unity to maintain a higher public and media profile.

- The breakup of Unity was only part of a broader fracturing of the political center. In addition to the breakaway of Unity deputies, the party must will compete for centrist votes against the anticorruption New Conservative Party and the Latvian Regional Alliance/Latvia’s Development coalition, which both exceeded expectations in June’s municipal election in Riga with nine seats each on the 60-seat Riga council. The Regional Alliance is a coalition of small, regional parties from Latvia’s smaller municipalities, while Latvia’s Development is a small, metropolitan liberal party led by a former senior civil servant. Moreover, a small populist party that goes by the acronym KPV LV (Who Owns the State) is likely to attract plenty of votes from Latvia’s large disillusioned economic diaspora in the UK and Ireland. The leader of Latvia’s Development has called for all the centrist parties to unite into a common bloc. A number of these parties are likely to heed this call, as they all struggled to reach the 5 percent barrier in polling in 2017. Polling in December placed the parties in the following order: Harmony 20.7 percent; Union of Greens and Farmers 14.3; National Alliance 7.3; Regional Alliance 3.6; Unity 3.5; New Christian Party 3.0; My Heart for Latvia 1.8; KPV LV, 1.5; and Movement For! 1.5.

- The pro-Russian-language Harmony led the polls throughout 2017, boosted by a virtual monopoly on the 25-30 percent of Latvian citizens that identified as Russian speakers. Indeed, in October party leader Nils Ušakovs made a play to attract more ethnically Latvian voters by allowing a bilateral cooperation agreement with Vladimir Putin’s United Russia party to lapse, and simultaneously applying for full membership of the Party of European Socialists. These steps were part of a project to reshape the party in order to attract Latvian voters with left-wing views. The transformation was not without risk, however, as the more virulently Russian nationalist wing of the party, such as European Parliamentarian Andrejs Mamikins (elected to the European Parliament on the Harmony ticket but not a member of the party), have criticized the move.

Electoral Process

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Vote</td>
<td>2.00</td>
<td>2.00</td>
<td>1.75</td>
<td>1.75</td>
<td>1.75</td>
<td>1.75</td>
<td>1.75</td>
<td>1.75</td>
<td>1.75</td>
<td>1.75</td>
</tr>
</tbody>
</table>

- The main electoral event of 2017 was the local government election in June, which was also seen as a warm-up for the national parliamentary election in October 2018. Pro-Russian-language party Harmony scraped a bare majority of seats in the capital city of Riga in coalition with its governing partner, An Honor to Serve Riga. The campaign focused on ethnic relations and accusations of municipal corruption and mismanagement, as well as the balance of relations with the US and Russia, themes that are likely to dominate the national elections in 2018.

- Almost 9,000 candidates competed for votes in 119 local governments (110 municipalities and 9 cities) in municipal elections that passed without incident. The turnout of 50.39 percent was significantly higher than the 45.99 percent turnout in the previous local elections in 2013. With the exception of the capital Riga, which dominates the national economy and has one-third of the entire national population, campaigns were primarily fought on local issues. Most of the largest cities in Latvia reelected their incumbent mayors, although smaller towns saw contests that were more competitive. The exception was the city of Daugavpils, which elected a fractured city council that has already seen two mayors in the six months following the June elections.

- Much media interest was focused on Riga and the other major cities. Incumbent mayors have consolidated power, however, with many having held office since the 1990s, and the election brought
few surprises. Aivars Lembergs has been mayor of Ventspils since the late 1980s and was once again reelected, as were mayors in Liepaja and Jelgava. Similarly, Nils Ušakovs (Harmony Social Democracy) won a third term in office in the capital city of Riga. The reelection of incumbent mayors reflected their significant advantages in utilizing local government instruments—such as free weekly newspapers or public celebrations—to advertise the achievements of their governments.

- The governing coalition in Riga of Harmony and An Honor to Serve Riga won 50.82 percent of the vote and 32 of 60 seats in the Riga legislature. Harmony successfully attracted the support of pensioners with free public transport, healthcare co-payments, and other social benefits. Opposition deputies, however, argued that Harmony had used municipal resources, including free newspapers and concerts, to advertise themselves, placing the opposition at an unfair disadvantage.

- These opportunities may be more limited in the future. In October, the European Court of Human Rights (ECtHR) heard a case concerning the practice of municipalities publishing free newspapers that include advertisements, based on a complaint from a regional newspaper in Latvia, which argued that the lower advertising rates offered by the free municipal paper constituted unfair competition. The following month, Latvia’s Administrative Court ruled to prohibit municipal media from accepting commercial advertising.

- Four other parties were also elected to the Riga municipality legislature. In addition to National Alliance and Unity, the hitherto marginal New Conservative party surprisingly won nine seats with an anticorruption platform that was given extra bite by the recruitment of two former Latvian anticorruption agency officers to its ranks. An electoral coalition of Latvia’s Development also won nine seats, but was disappointed with its performance after a lavish campaign based around Martinš Bondars, a clean-cut, US-educated parliamentary deputy who had unsuccessfully campaigned for the presidency in 2015.

- Two of the three governing coalition parties increased the share of municipalities under their control, with the Union of Greens and Farmers coming out on top in 33 of Latvia’s 119 municipalities (compared to 22 in 2013) and the National Alliance in 8 municipalities (6 in 2013). In contrast, the third coalition partner, Unity, saw the number of municipalities it controlled drop from 10 to 6, although it did manage to beat the 5 percent threshold in the Riga municipality, winning 6.26 percent of the vote and four seats.

- There were no changes to electoral or party laws in 2017. However, earlier changes to the law on political parties in the first half of 2016 mean that only parties founded one year before the election, and with at least 500 members, can compete in parliamentary elections. This explains the brief flurry of party formation in the late summer of 2017.

### Civil Society

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.75</td>
<td>1.75</td>
<td>1.75</td>
<td>1.75</td>
<td>1.75</td>
<td>1.75</td>
<td>1.75</td>
<td>1.75</td>
<td>1.75</td>
<td>2.00</td>
</tr>
</tbody>
</table>

- Latvia’s biggest civil society organizations actively engaged with the state throughout 2017, whether through consulting, criticizing, or discussing the major reforms initiated by the government, or in public protests following the publication of the “Oligarch Transcripts” in late spring. Illiberal groups continued seeking to gain traction through public actions, and NGOs were typically viewed as partisan rather than representing a public interest. Furthermore, no great progress was made in tackling the two key challenges that have long dogged the sector—low levels of membership and poor finances. Indeed, the tax reform, in which business associations and trade unions played such an important part, will actually see cuts to tax benefits for donations to NGOs.

- The most active and prominent civil organizations in Latvia represent business and labor interests. The Employers’ Confederation of Latvia (LDDK), which represents the biggest businesses in Latvia that
employ about 45 percent of Latvia’s private sector workforce, and the Latvian Chamber of Commerce and Industry (LTRK), which represents smaller businesses, were both active in the tax reform debate. After almost a full year of discussion, LTRK broke ranks with LDDK and refused to support the final tax proposals, arguing that the legislation would have a negative impact on Latvia’s competitiveness in the Information Communication Technology (ICT) and finance sectors by raising, rather than lowering, labor taxes. The Free Trade Union Confederation (LBOS) supported the tax reforms. Because LBOS and LDDK are the government’s two official social partners in the national tripartite council, the government put LTRK’s concerns to the side. The tax reform debates also saw Latvia’s nascent economic think tanks, scholars, and universities engage in public debate, a positive development. 

- Several NGOs and political parties, including the Latvian branch of Transparency International, Delna, and the New Conservative party, rallied their members and the public to participate in several public demonstrations decrying the inactivity of the courts and prosecution service following the publication of the “Oligarch Transcripts.” Several hundred people gathered outside both the General Prosecutor’s office and the Riga Castle, home to the president. Indeed, the president was greeted by whistling and catcalls when he came outside to speak with the demonstrators. Staff and students of the Riga Pedagogical University held other, smaller demonstrations, protesting its forced merger with the University of Latvia, and calling for a pay increase for schoolteachers. Public protests remained small in the number of demonstrators but appeared to be increasing in frequency in 2017.

- In the first weekend of July, the Lampa Festival, a Nordic-style “democracy festival”, grew in size, scope, and attendees as it celebrated its third year of operation, despite experiencing its first bout of rainy and damp weather. The two-day festival saw different speakers participate in 200 roundtables and debates, watched by more than 10,000 participants. However, to an extent, it was also another victim of Latvia’s culture wars. The festival was organized by Dots, which is the successor organization to the Soros Foundation in Latvia. As a result, nationalists and conservatives largely boycotted the event, with the more extreme conspiracy theorists even arguing that the festival was another tool used by George Soros to brainwash Latvia’s youth with liberal values. This points towards a fundamental problem in Latvian society: NGOs are typically seen as partisan and representing rather narrow interests, rather than providing some good for society as a whole.

- Indeed, illiberal and nationalist organizations continued to use the European refugee crisis to rally their members and promote a nationalist agenda. In September, the Guards of the Fatherland (Tēvijas Sargi), a small paramilitary organization whose members pull on boots and military fatigues and occasionally “patrol” parts of Riga that have a large Russian-speaking population, visited Mucenieki, where Latvia’s refugees are based. They used social media to share a picture of themselves ominously staring at the refugee camp, stating that they had had a “little walk” around the area. What happened next was not what they had expected. Twitter and Facebook were used to share various memes of the group staring not at the refugee camp, but at a My Little Pony doll, a male stripper, a urinal, and so on. Laughter and comedy was used to demean the Guards of the Fatherland, who reacted angrily—particularly decrying the memes with a homosexual undercurrent.

- While the situation of LGBT people has improved in recent years, Latvia’s LGBT community continued to face discrimination and legal challenges in 2017. According to ILGA-Europe, Latvia is among the least gay-friendly places in Europe—despite the fact that the country’s foreign minister was among the very first politicians, in 2014, to come out as gay in the region. The country does not recognize gay marriage or any form of partnership for homosexual couples, and a 2015 amendment to the Education Law prohibits “propaganda of degrading or immoral activities.” The Baltic Pride parade takes place in Riga every three years; ahead of the 2018 parade Valentīns Jeremejevs, the head of the Green Party’s Riga office, launched an online initiative to ban the event, calling the participants “sick people.”
Independent Media

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.75</td>
<td>1.75</td>
<td>1.75</td>
<td>1.75</td>
<td>1.75</td>
<td>2.00</td>
<td>2.00</td>
<td>2.00</td>
<td>2.00</td>
<td>2.00</td>
</tr>
</tbody>
</table>

- In 2017 Latvia had 6 printed national newspapers, compared to 15 in 1991. However, the internet continued to grow as the main source of news for Latvians, with 79 percent of the population regularly using the net. In September 2017, the internet news portal Delfi.lv had an average of 317,563 visitors a day (each spending almost 24 minutes on the site), three times the combined daily circulation of all six national daily newspapers in Latvia. Indeed, when asked to name the three media sources most often used to gain information on Latvian politics, only two percent of the public mentioned the highest-ranked written daily newspaper (Diena), compared to 22 percent that named Delfi.lv. Television channels have also been in decline as younger viewers switch over to on-demand services such as Netflix or their Latvian equivalents.

- Latvia’s printed media has been in a death spiral of rapidly falling sales, readership, and diminishing journalistic quality since the 1990s. This trend continued throughout 2017 as all the major newspapers in Latvia continued to suffer large financial losses, with the exception of Latvijas Avīze, which maintains a strong regional readership. Although the parliament elected a new National Radio, Television and Electronic Media Council in January, it remained as fractious and politicized as its predecessor. Nevertheless, the Latvian government has begun to respond to these challenges by funding a number of journalistic projects from a half-million euro fund created by the Ministry of Culture to support quality journalism in Latvia.

- The release of the “Oligarch Transcripts” detailed oligarchs’ attempts to influence, seize control, and ultimately tame Latvia’s media. The transcripts revealed former deputy prime minister Ainars Šlesers discussing his takeover of the liberal Diena daily newspaper, dismissing journalists and editors, and how this had resulted in more favourable coverage of his party. Ventspils mayor Aivars Lembergs discussed his ownership of Medija Nams, which controls the Neatkariga Rita Avīze daily newspaper, and how he used his influence to persuade government-controlled enterprises to purchase advertising space in the newspaper. Šlesers and Lembergs also discussed attempts to remove “difficult” journalists from Latvian public television and radio and contemplate how to introduce a Latvian version of Putin’s ‘power vertical’ to quell public opposition.

- Fake news has also been in the headlines in Latvia. A new portal called nozagts.com (stolen.com in English) was launched last year and attracted quite a bit of publicity, in part because of allegations it was linked to Harmony. Moreover, there were accusations in the Latvian public media that Riga municipality resources—where Harmony holds the mayor’s office—have been used to finance the activities of the portal, although the allegation was not proven.

- While this seems to paint a rather grim picture of Latvia’s media landscape, several more positive developments balanced the Latvian media in 2017. The independent reporting by Ir magazine journalists, which led to the publication of the “Oligarch Transcripts”, raised awareness of the opaque ownership structures of Latvia’s media. Re:Baltica, an investigative journalism outlet based in Riga, has been successful in attracting both private international and public domestic funds to undertake reporting of Latvia’s school system, the impact of negative demography in Latvia’s rural regions, and other issues. It disseminates its stories over multiple platforms using a mix of traditional and video reporting. Public and private television news shows also undertook investigative reportage—one channel placed a young news reporter undercover in a sushi restaurant to uncover illicit cash payments to staff. Online news portals, which built up their readership by providing free news reports from media agencies, have begun to develop their own content and provide more quality journalism. Delfi.lv has taken the lead in this regard, providing extensive reporting on the challenges facing numerous Latvian towns and cities in advance of the June local government election, and publishing a series of long-reads on the Latvian economy written in cooperation with a domestic think-tank. Delfi.lv also created a political discussion
show hosted by Latvia’s leading political interviewer, Janis Domburs, that it streamed live and later archived on its web site.\textsuperscript{55}

- Much of this new investigative reporting and new content has been funded by the first wave of government-financed projects for the media handled by the Ministry of Culture. Half a million euros in funding was dispersed by the State Culture Capital Foundation for 16 different media projects (from 56 applications).\textsuperscript{56}

- Oversight of the media remained contested and far too politicized in 2017. In January, the parliament elected four new members (out of five) to the National Electronic Mass Media Council (NEPLP), responsible for overseeing the media.\textsuperscript{57} All four newly elected members were initially seen as politically independent and have extensive experience in the media. However, just six months later, in July, Latvian public radio employees signed a letter of complaint against two members of the Council, arguing that they were applying political pressure to Latvia’s public radio and that this threatened the media’s political independence.\textsuperscript{58}

- Compared to the highly politicized parliamentary votes of recent years, the appointment of the new NEPLP members seemed to have been guided by professional competence rather than party allegiance. However, rows have already erupted between the Council and public radio on the extent to which certain radio channels should broadcast Latvian rather than international music. In September, the Council fired the head of Latvian Radio before swiftly moving to appoint a new chief with more extensive private sector experience, an act that the Latvian Journalists’ Association strongly criticized.\textsuperscript{59} This conflict and flux did little to promote faith in the public media.

### Local Democratic Governance

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2.25</td>
<td>2.25</td>
<td>2.25</td>
<td>2.25</td>
<td>2.25</td>
<td>2.25</td>
<td>2.25</td>
<td>2.25</td>
<td>2.25</td>
<td>2.25</td>
</tr>
</tbody>
</table>

- Local government reform has been close to the top of the Latvian political agenda for more than two decades, but little progress towards further reform occurred in 2017. A major territorial reform in 2009 cut the number of local governments from 452 to 119. However, the number still remained too high during the year. Thirty-nine municipalities have a population below 4000, which, according to the Law on Administrative Territories and Populated Areas, is below the minimum for an organized municipality.\textsuperscript{60}

- The June local elections dominated local governance in 2017: first, with preparation for the elections, and later, with political shuffling as new coalitions formed. The elections passed without incident and local governments returned to providing services for their residents. Debates on reducing the number of local governments from the current 119 were rather muted, but demographic trends that show long-term population decline in all municipalities outside the Riga region mean that this issue will return to the agenda. As the rural population aged, and young people flocked to Riga or move abroad, the tax base of many of Latvia’s rural regions diminished, making the need to further pool resources inevitable. Nevertheless, local governments fought to maintain their autonomy, opposing, for example, proposals to close or merge the many small rural primary and secondary schools scattered across Latvia.\textsuperscript{61} Local government leaders were also concerned with the uncertain future of the European Union’s Cohesion Funds, which are often the only investment instruments available to smaller local governments.

- The place and role of the capital city of Riga in the Latvian economy appeared on the political agenda in the second half of the year. The city dominates the Latvian economy, yet poor political relations between the mayor and the national government mean that the city has only reached 70 percent of its economic potential, according to the OECD in its annual report on Latvia published in September.\textsuperscript{62}

- This is an entrenched conflict. The pro-Russian-language Harmony party has been excluded from national government coalitions ever since it was formed. Indeed, no Russophone party has ever served
The only major city without a clear-cut result in the June local elections was Daugavpils, the biggest city in the eastern region of Latgale, which has a large ethnic Russian community. Two different people, from two different parties, have already held office there in the six months since the election.

Language was also on the political agenda. The Russian-speaking mayor of Riga, Ušakovs, often used his social media to communicate with his electorate in Russian. In February he also spoke Russian in a question-and-answer session with some young Russian-speaking schoolchildren visiting the Riga Municipal Council building, which led to him being fined €50 ($58) by the State Latvian Language Center. In April, the radical right government member National Alliance seized on these disputes between Ušakovs and the Latvian Language Center to draft legislation that would lead to the suspension of public figures who are repeatedly fined by the Center, as Ušakovs now has been. This was red meat to the nationalists that support the National Alliance. However, it was also red meat to the Russophones that support Harmony, and further complicated cooperation with the national government.

However, the OECD’s recommendation that relations between national and Riga authorities must be developed in order to increase economic growth has somewhat concentrated minds. Politicians on both sides have admitted that they have no formal channels of communication, and that this complicates large public investments and long-term planning in the capital. Nevertheless, an understanding was reached between all sides that a wealthier Riga would have a positive impact on the Latvian economy as a whole. Riga already contributes more than half of the funds in the Municipal Equalization funds, which redistributes resources between 15 of Latvia’s wealthiest local governments and 104 poorer ones. Discussions on cooperation have already taken place between the mayor, the prime minister, and the economics minister, with transport links and the development of the left bank of the River Daugava as a higher education and research zone among the common projects discussed.

### Judicial Framework and Independence

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>1.75</td>
<td>1.75</td>
<td>1.75</td>
<td>1.75</td>
<td>1.75</td>
<td>1.75</td>
<td>1.75</td>
<td>1.75</td>
<td>1.50</td>
<td>1.50</td>
</tr>
</tbody>
</table>

Latvia’s judicial framework did not see any major reforms in 2017. A survey from 2016 found the percentage of Latvians rating the independence of their courts as good or very good is below the EU average, 42 percent versus 52 percent. This was largely a result of lengthy court cases and several high-profile instances of judicial corruption. For example, the corruption and bribery case against Aivars Lembergs, who was reelected mayor of Ventspils in June, celebrated its ten-year anniversary in 2017 year and was still awaiting a first instance judgement at year’s end.

The European Commission’s annual EU Justice Scorecard, which gives a comparative overview of the efficiency, quality, and independence of the justice systems of EU member states, indicated a gradual improvement in the justice sector in Latvia. The length of time it takes the system to make
a first instance ruling continued to fall to approximately 170 days, although Latvia rose two places in the EU rankings to 14 of 28 member states. The report also praised Latvia’s justice system for the availability of information about, and potential for engagement with, the justice system by electronic means, such as submitting petitions online, corresponding with the court by email, and so on. However, the report also highlighted that Latvia is 18th among EU states in per capita spending on the justice system, at approximately €50 ($58) per inhabitant. Moreover, Eurobarometer data quoted in the report also indicated that a small but growing number of Latvians see the justice system as being independent in its decision-making. However, a domestic opinion poll in January 2017 found that 55 percent of Latvians believed that courts do not hear cases in a fair and impartial way.73

- This is perhaps not surprising in the context of judges on trial for corruption. For example, in October the Latvian parliament agreed to allow criminal proceedings to be started against a District Court judge in a case being brought by the anticorruption bureau and involving an alleged bribe of €5,000 ($5,800) and the leaking of classified information, although the former charge was later dropped.74

- In June, Latvian police detained several prominent insolvency administrators, who faced extortion and money laundering charges. Journalists and foreign investors have criticized insolvency administrators for a number of years; indeed, in 2016, the Foreign Investors Council in Latvia (FICIL) claimed that the Latvian economy might have lost up to €750 million ($922.7 million) between 2008 and 2014 due to insolvency abuse.75 Insolvency administrators are accused of failing to adequately report on their activities, using recovery rates that are well below international norms, and of colluding with specific judges. One journalistic investigation found that just a handful of judges had been allocated a suspiciously high number of insolvency cases, after insolvent firms had been allowed to change their legal address to a potentially more amenable legal jurisdiction, and that these same judges had also permitted a high number of infractions by the administrators.76 Journalists reported that some insolvency administrators were earning millions of euros a year and were major donors to Latvian political parties, particularly the National Alliance, which even appointed an insolvency administrator as the party’s general secretary (although he has since left the post).77 Following this crackdown on prominent administrators, the Ministry of Justice and the Insolvency Administration (MNA) proposed mooted reforms to the insolvency process that will make the allocation of insolvency cases more independent, thus making it difficult for insolvency administrators to collude with judges.78

- Finally, in an embarrassing turn of events, Janis Maizītis, the chief of Latvia’s Secret Service (the Constitutional Defense Bureau), was burgled and had his private laptop stolen, although it was later retrieved by the police.79 While Maizītis claims that no sensitive data was taken, it is somewhat of an embarrassment that Latvia’s spy chief can have his personal home burgled and his personal effects stolen.

**Corruption**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>3.25</td>
<td>3.25</td>
<td>3.50</td>
<td>3.25</td>
<td>3.00</td>
<td>3.00</td>
<td>3.00</td>
<td>3.00</td>
<td>3.00</td>
<td>3.00</td>
</tr>
</tbody>
</table>

- Public perceptions of high-level political and administrative corruption have long blighted Latvian society and politics. Nevertheless, debates about corruption in 2017 focused around historic cases. The year saw the tenth anniversary of the arrest of the mayor of Ventspils, Aivars Lembergs, for corruption, bribery and money-laundering among other charges, as well as the public outcry following the release of the “Oligarch Tapes” and the opening of a court case against the former chief of Latvian Railways. However, 2017 saw few new cases of corruption opened. Corruption
trends in Latvia have been positive for a number of years—indeed, in October the political party financing law was amended to limit annual individual donations to 30 percent of their income. At the same time, a whistleblower protection bill has been bogged down in parliament since March.

- In February, police chief Ints Ķuzis announced several significant reforms to the Traffic Police, who have long been famed for their petty corruption. Ķuzis said that henceforth the two primary roles for the Traffic Police will be to assist in accidents and help out during rush hour, with traffic police to carry out fewer random traffic stops and no longer check motorists’ speed. The traffic police would be banned from carrying more than €30 ($35) in cash on their person, and there will be more rotation between the different parts of the Traffic Police.

- Discussion of corruption nonetheless dominated much of the summer of 2017 following a weekly current affairs magazine’s publication of leaked, covertly recorded conversation transcripts made by Latvia’s Corruption Prevention and Combating Bureau (KNAB) investigating allegations of political corruption between 2009 and 2011. The transcripts captured the public imagination both because of the crass, colorful language used by the interlocutors but also because the voices on tape were Latvia’s three most famous “oligarchs:” former prime minister Andris Skele, former deputy prime minister Ainars Slesers, and the mayor of the wealthy oil-transit port city of Ventspils, Aivars Lembergs.

- The three were recorded gossiping about their colleagues in parliament, debating the pros and cons of a potentially controversial government coalition with Harmony Center (as Harmony was called at that time), and discussing various open and secret business interests, as well as their attempts to tame Latvia’s written and electronic media. One transcript seemed to feature the Minister of Agriculture Janis Duklavs trying to sell a piece of land near Riga port in which he had an undeclared financial interest. Parliament caved in to public pressure and set up an investigative committee to investigate the case further, ensuring that the transcripts will remain on the political agenda as Latvia gears up for parliamentary elections in October 2018. The transcripts’ continuing presence in Latvia was aided by the fact Inguna Sudraba, the leader of the My Heart for Latvia party, who herself is mentioned in the oligarch transcripts as a potential prime minister of whom the Russian government would heartily approve, heads the investigative committee. Anticorruption experts, including the editor of Ir, have stated that Sudraba is unsuited to the post and may well torpedo the committee’s work.

- In June, the Latvian parliament finally elected a new head of the KNAB, more than half a year after the last head was forced from the post following the search committee’s failure to nominate him for a second term and all other candidates being ruled out as unqualified. The new head has impeccable credentials: Jekabs Straume has spent more than 16 years working in military counterintelligence, including international missions in Afghanistan, and is highly rated by Latvia’s international partners, including the United States. There is optimism that he may be able to renew Latvia’s anticorruption agency after several years of infighting and drift. However, he quickly put a halt to public optimism that he would use the oligarch transcripts to bring mighty politicians to heel. Having reviewed the documents, Straume stated that the KNAB had acted correctly and it was not possible to make a criminal case against the interlocutors in the transcripts.

- In September, a district court in Limbaži finally began the trial of Uģis Magonis, the former chief of Latvian Railways, who was arrested in the summer of 2015 and accused of having received a €500,000 ($580,000) bribe from an Estonian businessman in return for arranging that Latvian Railways buy four ageing locomotives from his business. Equally significant, in June the Economic Crimes Prevention Office of the state police initiated two separate criminal processes against a group of insolvency administrators, who, in recent years, had created the aura of being above the law (see Judicial Framework and Independence). The administrators were accused of participating in money laundering and extortion.

AUTHOR: Daunis Auers

---

5 Bergmanis pledges to make sure that Latvia honors commitment to raising defense budget to 2% of GDP,” LETA, http://www.leta.lv/eng/defence_matters_eng/defence_matters_eng/news/133C5E70-F63D-E9C7-89B9-A45B6E69CF7/
7 “LU apvieno personi/vienotība” [“Unity in debt to the state, its business man, and its employees”], Skaties.lv, 10 September 2017, https://kustibapar.lv/
“Economics minister Ašeradens will stay on for a while”, LSM, 17 October 2017, https://eng.lsm.lv/article/politics/politics/economics-minister-aseradens-will-stay-on-for-a-while.a253935/

“Party ratings: six forces will enter the Seima; most popular is Harmony”, LSM, 27 December 2017, http://www.lsm.lv/raksts/zinas,latvija/partju-reitingi-saeima-iejutu-6-speki-popularka-saskaņa.a262298/


See the Latvian Central Election Commission website: https://www.cvk.lv/pub/public/31249.html


Election Results, Latvian Central Election Commission, http://pv2017.cvk.lv/ElectionResults


Election Results, Latvian Central Election Commission, http://pv2017.cvk.lv/ElectionResults


LTRK’s criticism of the tax reform proposals can be found on its website: https://www.chamber.lv/lv/content/jaunumi/1262


These debates were kicked-off at a one-day “Tax Forum” on 14 December 2016, hosted by the Finance Ministry, which featured presentations from the Bank of Latvia, Finance Ministry, World Bank, and OECD, as well employers and business associations, academic scholars, and thinktanks. The videos of the presentations and debates can be found on the Ministry of Finance web site: http://www.fm.gov.lv/lv/nodoklu_reforma/nodoklu_forums_2016/; A follow-up forum was held a year later, in December 2017: http://www.fm.gov.lv/lv/nodoklu_reforma/nodoklu_forums_2017/


See the program here: https://www.festivalslampa.lv/


“Eigims gāž Elksniņu. Daugavpils brīnās [Eigims beats Elksnīš; Daugavpils is in awe]”, Neatkarīgā Rīta Avīze, 4 September 2017, [http://nra.lv/politika/maris-krautmanis-3-221132-eigims-gaz-elksninu-daugavpilis-brinas.htm](http://nra.lv/politika/maris-krautmanis-3-221132-eigims-gaz-elksninu-daugavpilis-brinas.htm)


“Saeima sets up committee to probe ‘oligarch transcripts’”, LSM, 27 July 2017, 
https://eng.lsm.lv/article/politics/saeima/saeima-sets-up-committee-to-probe-oligarch-transcripts.a244718/


“Anti-graft squad won’t start case against Agriculture Minister”, LSM, 8 August 2017, 


“Police detain high-profile insolvency administrators”, LSM, 8 June 2017, 
https://eng.lsm.lv/article/society/society/police-detain-high-profile-insolvency-administrators.a239363/