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## Совет по правам человека

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**Поощрение и защита всех прав человека,  
гражданских, политических, экономических,  
социальных и культурных прав,  
включая право на развитие**

### **Доклад Независимого эксперта по вопросу о последствиях внешней задолженности и других соответствующих международных финансовых обязательств государств для полного осуществления всех прав человека, в частности экономических, социальных и культурных прав, Чефаса Лумины**

Добавление

**Миссия в Латвию (14–18 мая 2012 года)\***

#### *Резюме*

В настоящем докладе Независимый эксперт представляет основные выводы по итогам своей поездки в Латвию (14–18 мая 2012 года). Основная цель этой поездки заключалась в проведении оценки воздействия бремени внешней задолженности страны на процесс осуществления всех прав человека, в частности экономических, социальных и культурных прав и права на развитие, и в содействии достижению Целей развития тысячелетия. В ходе этой поездки также изучалось воздействие Программы стабилизации Европейского союза/Международного валютного фонда (2008–2011 годы) на процесс осуществления всех этих прав.

В 2008 году Латвия, как и многие другие страны, подверглась воздействию глобального финансового кризиса. Однако ее объем производства сократился в наибольшей степени в сравнении со всеми другими странами мира. В период с конца 2007 года по конец 2009 года объем ее валового внутреннего продукта уменьшился приблизительно на 24%. В ответ на этот кризис правительство при поддержке Европейского союза, Международного валютного фон-

\* Представлено с опозданием.

да и ряда европейских стран осуществило Программу стабилизации, которая потребовала принятия мер жесткой экономии, в частности таких, как уменьшение государственных расходов, значительное сокращение заработной платы и введение регрессивных налогов, а также проведение структурных реформ.

Хотя эта программа позволила добиться поставленных в ней основных целей и экономика постепенно восстанавливается, были понесены значительные социально-экономические потери, в частности увеличился уровень безработицы, расширились масштабы нищеты и неравенства, возрос уровень эмиграции экономически активного населения, торговли людьми и внешней задолженности страны.

## Приложение

### Annex

[English only]

## Report of the Independent Expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights, on his mission to Latvia

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## I. Introduction

1. The Independent Expert undertook an official visit to Latvia from 14 to 18 May 2012. The key purpose of his visit was to assess the impact of the country's external debt burden on the capacity of the Government to realize all human rights, particularly economic, social and cultural rights and the right to development, and to achieve the Millennium Development Goals. He also examined the impact of the global economic recession, and the subsequent implementation of the European Union/International Monetary Fund (EU/IMF) stabilisation programme (2008-2011) on the enjoyment of these rights.

2. The Independent Expert met with senior Government officials from the Ministries of Foreign Affairs; Economics; Finance; Justice; Interior; Health; Education and Science; Welfare; and Culture. He also met representatives of the Bank of Latvia, the Supreme Court, the Constitutional Court, the Ombudsman, the State Audit Office, the Corruption Prevention and Combating Bureau (Korupcijas noversanas un apkarošanas birojs, or KNAB), the International Monetary Fund, the European Commission, the World Health Organization, the International Organization for Migration, as well as of the Human Rights and Public Affairs and Budget and Finance (Taxation) Committees of the Saeima (Parliament), civil society organizations and academics.

3. He is grateful to the Government for its invitation and cooperation during his mission. He also expresses his gratitude to the Office of the Ombudsman for its support, as well as to all those who met with him.

## II. Human rights accountability framework

### A. Human rights obligations

4. Chapter VIII of the Constitution of the Republic of Latvia (the Satversme) provides for fundamental human rights. Article 89 enjoins the State to "recognise and protect fundamental human rights in accordance with (the) Constitution, laws and international agreements binding upon Latvia." The Constitution guarantees, inter alia, the rights to equality and non-discrimination (art. 90), life (art. 93), liberty and security of the person (art. 94), privacy (art. 96), freedom of movement and residence (arts. 97 and 98), freedom of thought, conscience and religion (art. 99), freedom of expression (art. 100), public participation (art. 101); freedom of employment (art. 106); social security (art. 110); health and medical assistance (art. 111); education (art. 112); and the right of ethnic minorities to preserve and develop their language and identity (art. 114).

5. These guarantees are complemented by a broad range of domestic laws as well as standards contained in the international and regional human rights treaties to which Latvia is a party.<sup>1</sup> It is notable that international treaties are part of the national legal framework and take precedence over national legal norms.<sup>2</sup>

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<sup>1</sup> Latvia is a party to the Convention on the Elimination of All Forms of Racial Discrimination; the International Covenant on Civil and Political Rights and the First Optional Protocol thereto; the International Covenant on Economic, Social and Cultural Rights; the Convention on the Elimination of All Forms of Discrimination Against Women; the Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment; the Convention on the Rights of the Child; and the Convention on the Rights of Persons with Disabilities and its Optional Protocol. At the regional level, it is a party to

6. Although there are some national programmes to address particular human rights issues such as discrimination, social integration, trafficking, and HIV/AIDS, there appears to be no official overarching human rights strategy to guide the design, implementation and monitoring of development policies and programmes. Human rights are an essential part of any sustainable development strategy: they contribute to the achievement of sustainable results, while ensuring that development challenges – especially in the context of austerity – are sufficiently and equitably addressed and that human rights are fully respected in the process. The Independent Expert encourages the Government to adopt a national human rights action plan to inform its development policies and programmes and to ensure that official responses to any economic challenges the country might face are informed by human rights considerations.

## B. Institutions

7. As of August 2012, Latvia did not have a national human rights institution accredited by the International Coordinating Committee of National Institutions for the Promotion and Protection of Human Rights.<sup>3</sup> The main institution with a human rights mandate is the Office of the Ombudsman, which was transformed in 2007 from the National Human Rights Office (established in 1995). It has a broad mandate which includes the protection of human rights and good governance, as well as the promotion of equal treatment. The Independent Expert welcomes the recent initiative of the Ombudsman to gain accreditation for the Office as a national human rights institution in full compliance with the principles relating to the status of national institutions for the promotion and protection of human rights (“the Paris Principles”). He calls upon the Government to support this initiative.

8. Other relevant institutions include the Constitutional Court, established in 1996 to rule on the constitutionality of legislation; the State Audit Office, an independent institution which performs “financial and efficiency audits;”<sup>4</sup> KNAB, which is supervised by Cabinet and whose functions include fighting corruption through prevention, investigation and education;<sup>5</sup> and the Parliament’s Human Rights and Public Affairs Committee, whose role is to monitor the human rights situation in the country, review relevant draft legislation and oversee certain public institutions.

9. Also worthy of mention are bodies established within some Government ministries to promote human rights in consultation with civil society. These include the National Minority Education Consultative Council (Ministry of Education), the Council for the Participation of National Minority Organizations (Ministry of Justice) and the National Council of Disability Affairs and the Gender Equality Committee (coordinated by the Ministry of Welfare).<sup>6</sup>

10. The Constitutional Court and the Ombudsman have played an increasingly important role in protecting human rights in the context of the country’s financial crisis and

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the European Convention for the Protection of Human Rights and Fundamental Freedoms and several of its Protocols, as well as to the European Social Charter and other conventions of the Council of Europe.

<sup>2</sup> A/HRC/WG.6/11/LVA/1, para. 22.

<sup>3</sup> See

<http://nhri.ohchr.org/EN/Documents/Chart%20of%20the%20Status%20of%20NIs%202830%20May%202012%29.pdf>

<sup>4</sup> State Audit Office Law, sections 1 and 2.

<sup>5</sup> Law on Corruption Prevention and Combating Bureau, s. 2(1).

<sup>6</sup> A/HRC/WG.6/11/LVA/1, para. 14.

stabilization programme. The Court has delivered a number of significant judgements concerning the constitutionality of certain austerity measures adopted in the context of the programme, notably those concerning the reduction of pension benefits and the funding of public accountability institutions.<sup>7</sup> The Office of the Ombudsman has undertaken monitoring visits to social care centres in the country and made representations to the Government concerning issues such as the impact of the financial crisis on old-age pensions, the need for the State to consult persons with special needs whenever decisions are made on any matters concerning such persons in line with its obligations under the Convention on the Rights of Persons with Disabilities and the need to exempt the health sector from public spending cuts.

11. Nevertheless, the effectiveness of the accountability institutions has been constrained by, inter alia, budgetary reductions implemented as part of the country's stabilization programme.<sup>8</sup> As underscored by the Constitutional Court in 2010, the current Law on Budget and Financing of Independent Bodies does not ensure that these institutions are financially and institutionally independent.<sup>9</sup> These institutions play an important role in the promotion of human rights, accountability and the rule of law. Their role becomes even more critical in time of austerity.

### III. Stabilization programme

#### A. Background: The financial crisis<sup>10</sup>

12. Following its independence from the Soviet Union in 1991, Latvia embarked on transformation of its economy to a market economy, through privatization of State-owned enterprises, public sector reform, liberalization of trade, and deregulation of the financial sector.<sup>11</sup>

13. At the turn of the century, the Latvian economy entered a phase of rapid growth. Subsequent to joining the European Union, Latvia went from being the poorest of the new European Union countries to one of the fastest growing economies in the region, with annual gross domestic product (GDP) growth rates of over 10 per cent between 2005 and 2008.<sup>12</sup> Economic growth was driven by expansion in domestic demand and high credit growth. Alongside European Union membership, Latvia joined the Union's exchange-rate mechanism in 2005, which maintained the Latvian currency (the lat) pegged to the euro.

14. Due to favourable economic conditions, the Government adopted a lax fiscal policy, with general Government spending equivalent to 36 per cent of GDP in 2007.<sup>13</sup> The trade

<sup>7</sup> See Case No. 2010-06-01, Constitutional Court of Latvia, Judgment of 25 November 2010.

<sup>8</sup> For example, the budget of the Ombudsman's office was reduced from 1,257,384 lats in 2008 to 973,070 lats in 2012. The number of employees decreased from 51 to 35 in the same period. See also Latvia, Ministry of Finance, "Law on State Budget: Explanatory Report," (2011) p. 124, available in Latvian from [www.fm.gov.lv/files/files/E2B593256740001330693948770523.doc](http://www.fm.gov.lv/files/files/E2B593256740001330693948770523.doc).

<sup>9</sup> See Case No. 2010-06-01, Constitutional Court of Latvia (see note 7 above).

<sup>10</sup> For a discussion of the country's financial crisis, see Anders Åslund and Valdis Dombrovskis, *How Latvia came through the Financial Crisis* (Peterson Institute for International Economics, 2011), p. 33.

<sup>11</sup> *Ibid.*, p. 7.

<sup>12</sup> See [http://siteresources.worldbank.org/ECAEXT/Resources/Latvia\\_LTC.pdf](http://siteresources.worldbank.org/ECAEXT/Resources/Latvia_LTC.pdf)

<sup>13</sup> See <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&language=en&pcode=tec00023&plugin=1>

deficit – a common feature of the Latvian economy since independence – also remained high, mostly as a result of expanding domestic demand, open trade, investment growth, and appreciating real exchange. In 2007, the current account deficit amounted to 24 per cent of GDP.<sup>14</sup> The fiscal and trade deficit coupled with high credit growth created precarious economic imbalances.

15. In late 2008, when Latvia, like many other countries, was hit by the global financial crisis, it experienced the heaviest loss of output of any country in the world.<sup>15</sup> Real GDP growth fell from 10 per cent to -4.6 per cent.<sup>16</sup> In 2009, GDP growth dropped even lower, to -18 per cent.<sup>17</sup> It is estimated that GDP fell 21.2 per cent from 2007 to 2010.<sup>18</sup>

16. The crisis was driven by weakening external demand for Latvian exports, falling asset prices and a rapid decline in credit growth. The depth of the crisis was intensified as a result of the country's large external imbalances.<sup>19</sup> The crisis was also prompted by the currency peg to the euro, which had made the Latvian economy particularly vulnerable to external shocks.

17. The collapse of the country's second largest and biggest domestically owned commercial bank, Parex Bank, had a profound impact on the crisis. The bank had run into problems due to the global financial crisis and mismanagement by its owners. It could no longer access finance on the international markets and it had syndicated loans falling due. From the end of August to the end of November 2008, the bank lost a quarter of its private sector deposits due to an outflow of deposits. The Government was forced to recapitalize Parex at a total cost of 4.9 per cent of GDP, with an additional 2.6 per cent of GDP in additional guarantees.<sup>20</sup>

18. Due to its large current account deficit, high external debt<sup>21</sup> and a very high loan to deposit ratio, Latvia lost access to foreign exchange funding and the Government was forced to seek external financial support.<sup>22</sup>

<sup>14</sup> Economist Intelligence Unit, "Latvia Country Profile 2009," p. 20.

<sup>15</sup> See Mark Weisbrot and Rebecca Ray, "Latvia's internal devaluation: A success story?" (Center for Economic and Policy Research, December 2011) (Revised and updated); and World Bank, "Latvia Country Brief" (2010). Available from [http://siteresources.worldbank.org/ECAEXT/Resources/Latvia\\_LTC.pdf](http://siteresources.worldbank.org/ECAEXT/Resources/Latvia_LTC.pdf).

<sup>16</sup> According to the Bank of Latvia, real GDP growth fell from 9.6 per cent in 2007 to -3.3 per cent in 2008.

<sup>17</sup> World Bank, "Latvia Country Brief" (2010), see note 15 above.

<sup>18</sup> International Monetary Fund (IMF), "Republic of Latvia: Fifth review under the stand-by arrangement and financing assurances review, request for waiver of non-observance of a performance criterion, and proposal for post-program monitoring," IMF Country Report No. 12/31, February 2012, p. 5. Other studies estimate that the country lost about 24 per cent of GDP from late 2007 to late 2009. See, e.g., Weisbrot & Ray, "Latvia's internal devaluation" (see note 15 above), p. 3.

<sup>19</sup> Latvia, Ministry of Economics, "Economic Development of Latvia Report" (Riga, 2010) p. 9, available from [www.em.gov.lv/images/modules/items/tsdep/zin\\_2010\\_1/2010\\_jun\\_eng.pdf](http://www.em.gov.lv/images/modules/items/tsdep/zin_2010_1/2010_jun_eng.pdf)

<sup>20</sup> IMF, Republic of Latvia: Request for Stand-By Arrangement, 19 December 2008, p. 8, cited in Åslund & Dombrovskis, *How Latvia came through the Financial Crisis* (see note 10 above), p. 35.

<sup>21</sup> Gross foreign debt was estimated at 135 per cent of GDP at the end of 2008. See Åslund & Dombrovskis, *How Latvia came through the Financial Crisis* (see note 10 above), p. 52.

<sup>22</sup>

<http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:22323608~pagePK:34370~piPK:34424~theSitePK:4607,00.html>.

## B. Austerity measures and structural reform

19. In response to the crisis, in December 2008, the Government agreed an international loan package of €7.5 billion (about 37 per cent of the country's GDP) with IMF, the European Commission and several European countries in return for its commitment to implement strict austerity measures that entailed deep cuts in public expenditure and structural reforms.<sup>23</sup> The programme ended in December 2011.

20. The objectives of the programme were "to arrest the immediate liquidity crisis and to ensure long-term external stability, while maintaining the lat pegged to the Euro in order to ensure the accession of Latvia to the European Economic and Monetary Union". The idea was to regain productivity growth and competitiveness, reduce external imbalances, and eventually achieve normal economic growth by pushing down labour costs.<sup>24</sup>

21. The programme focused on the implementation of structural reforms and austerity measures to reduce public spending and the fiscal deficit. Reforms included the streamlining of public administration, particularly through the closure of a number of State agencies, downsizing of the public service and reduction of wages across the public sector, as well as tax reforms.

22. Fiscal consolidation measures of 17 per cent of GDP were implemented by the Government as part of the programme, leading to a decline in the budget deficit from 9.8 per cent of GDP in 2009 to 3.5 per cent of GDP in 2011.<sup>25</sup> Fiscal reforms entailed the increase of regressive taxes, such as value added tax,<sup>26</sup> to improve the country's fiscal balance through revenue increases. It may be contended that this regressive tax regime disproportionately affected lower income households, which were constrained to devote a larger portion of their income to access essential goods and services. Nonetheless, in parallel, the Government implemented other tax measures such as real estate tax on housing, increase in car duties rates and cuts to the flat-rate personal income tax.

23. With the economy in recovery, fiscal consolidation has focused more on revenue increases through taxes than on budget cuts. However, spending cuts have remained, particularly through temporary cuts in payments to personal pension schemes. In December 2011, the Government informed IMF that its budget for 2012 would cut the deficit to 2.5 per cent of GDP through, inter alia, reduction of expenditures for the Ministries of Defence (LVL6.6 million), Health (LVL2.7 million) and Welfare (LVL3 million).<sup>27</sup>

24. In 2012, the Saeima approved cuts to personal income tax rates for the period 2013-2015. A one per cent cut in VAT was also introduced.<sup>28</sup>

25. The programme also involved reforms to the health and education sectors. In the health sector, measures included staff retrenchments, hospital closures and the adoption of a new structure of public health services centred on outpatient and preventive care to reduce spending on hospitals and beds. In the education sector, reforms included the closure of

<sup>23</sup> See Economist Intelligence Unit, "Latvia Country Profile 2009" (see note 14 above), p. 16. The programme, which was concluded as an IMF Stand-By Arrangement on 18 December 2008 with the IMF offering a credit of €1.7 billion for 27 months and the European Union and the country's European neighbours offering the balance, was also supported by the World Bank and the European Bank for Reconstruction and Development.

<sup>24</sup> See Weisbrot & Ray, "Latvia's internal devaluation" (see note 15 above), p. 4.

<sup>25</sup> See Convergence Programme of the Republic of Latvia 2012-2015, April 2012. See also <http://www.imf.org/external/np/sec/pn/2012/pn1276.htm>

<sup>26</sup> The rate of value-added tax was increased from 18 to 21 per cent.

<sup>27</sup> See Latvia: Letter of Intent, 8 December 2011, annexed to IMF Country Report No. 12/31 (see note 18 above), p. 60.

<sup>28</sup> See [www.imf.org/external/np/sec/pn/2012/pn1276.htm](http://www.imf.org/external/np/sec/pn/2012/pn1276.htm)



schools and large teacher redundancies.<sup>29</sup> Reforms also affected the pension system, mainly through the raising of the pension age from 62 to 65 years, and a decrease in the value of all pensions by 10 per cent, and, in the case of working pensioners, by 70 per cent.<sup>30</sup>

26. It is notable that the austerity measures, particularly those entailing reductions in public spending, were opposed by politicians, trade unions, certain business circles, students, teachers and the public, including through public demonstrations when the 2010 State budget bill was passed.

27. Many of the measures, such as cuts in pension pay-outs to working pensioners and cuts to maternity benefits, were successfully challenged in the Constitutional Court. In December 2009, for example, the Court ruled that the decision to reduce the value of pensions was unconstitutional. The Court stressed that while the Government could tighten its belt at a time of crisis, international agreements could not serve as an argument for the restriction of the fundamental rights enshrined in the Constitution.<sup>31</sup> In several of its subsequent judgements, the Court found pension deductions (for example, in relation to judges' remunerations and pensions for the military, prosecutors and policemen) to be unconstitutional. However, in March 2010, the Court declared that cuts to parental benefits were consistent with the Constitution.<sup>32</sup>

### C. Social safety net

28. In order to mitigate the social impacts of the austerity measures, particularly on the most vulnerable groups, including women, children, pensioners and persons with disabilities, the Government introduced an emergency social safety net in 2009, with the support of the World Bank and the European Union.

29. The safety net included an increase in the guaranteed minimum income benefit, the elimination of health-care co-payments for those with insufficient income, State co-funding for social assistance benefits to cover expenditures of local governments, transportation support, and protected schooling for 5-6 year olds. In the summer of 2009 the Government extended the unemployment benefits payment period to nine months irrespective of the length of the insurance period.

30. The Independent Expert commends the Government and its partners for establishing the safety net. Nonetheless, he is concerned that this programme had been adopted as a temporary measure and is thus expected to be discontinued once the economic situation has improved.<sup>33</sup> With unemployment still high at over 14 per cent and in the context of increasing income inequalities, it is essential that the Government establish a permanent safety net for the most vulnerable sectors of the population.

<sup>29</sup> See IMF Country Report No. 12/31 (see note 18 above), p. 35.

<sup>30</sup> See Centre for Eastern Studies, "Latvia: State budget dictated by the IMF." Available from [www.osw.waw.pl/en/publikacje/ceweekly/2009-12-02/latvia-state-budget-dictated-imf](http://www.osw.waw.pl/en/publikacje/ceweekly/2009-12-02/latvia-state-budget-dictated-imf)

<sup>31</sup> Case No. 2009-43-01, Constitutional Court of Latvia, Judgment of 21 December 2009.

<sup>32</sup> Case No. 2009-44-01, Constitutional Court of Latvia, Judgment of 15 March 2010.

<sup>33</sup> The conditions under which the measures may be prolonged are set out in "The Social Security Network Strategy," p. 3, available from <http://polsis.mk.gov.lv/LoadAtt/file39492.doc>

## D. Social and economic impacts

31. According to IMF, the stabilization programme has achieved “many of its main objectives, although a number of vulnerabilities remain.”<sup>34</sup> The programme has enabled the Government to substantially reduce its fiscal deficit to 1.5 per cent of GDP in 2012, stabilize its finances and improve its credit rating. Economic recovery is under way with a growth rate of 5.5 per cent in 2011 and 6.8 per cent year-on-year during the first quarter of 2012, one of the highest in the European Union.<sup>35</sup> Exports, domestic demand and industrial output have also regained strength.<sup>36</sup> This process was supported by gains in competitiveness. Consequently, Latvia was expected to meet the Maastricht fiscal deficit criterion in 2012 and join the eurozone in 2014.

32. Nevertheless, the eurozone crisis poses new challenges and may have a significant impact on the Latvian economy, as well as complicate the country’s euro adoption prospects. Approximately half of the country’s exports are to eurozone countries or to countries whose currency is pegged to the euro.<sup>37</sup> According to the Economist Intelligence Unit, there is a risk that the current economic environment may force Latvia to seek a “precautionary” IMF programme.<sup>38</sup> However, the Government disagrees with this observation, stressing that Latvia has repaid the entire IMF loan before its term and returned to capital markets by successfully issuing three consecutive bonds.

33. Despite the improvement in its economic performance, Latvia faces a number of challenges. The real GDP remains far below its pre-crisis level and is not projected to reach its pre-crisis peak until 2016, nine years after the crisis started.<sup>39</sup> Although rising, output also remains well below the pre-crisis level. Thus, while aimed at improving macroeconomic stability and productivity, the stabilization programme has also resulted in the overall contraction of the economy.<sup>40</sup>

34. The programme has also exacted substantial social costs, including high unemployment, increasing poverty and inequality<sup>41</sup> and has had an adverse effect on the enjoyment of a number of basic human rights (see below).

## E. External debt and debt sustainability

35. The financing of the stabilization programme has resulted in a substantial increase in the country’s external debt. The gross external debt rose from €29.8 billion (130.9 per cent of GDP) in 2008 to a peak of €30.0 billion (165.6 per cent of GDP) in 2010 before declining to €28.9 billion (146.5 per cent of GDP) in 2011 and rising again to an estimated €30.2 billion (138.3 per cent of GDP) in 2012. Gross external debt is estimated at €31.8 billion (137.2 per cent of GDP) in 2013 and €31.4 billion (127.3 per cent of GDP) in

<sup>34</sup> See IMF Country Report No. 12/31 (see note 18 above), p. 5.

<sup>35</sup> See IMF, “Statement at the Conclusion of the First Post-Program Monitoring Mission to Latvia,” Press Release No. 12/180, 16 May 2012, available from [www.imf.org/external/np/sec/pr/2012/pr12180.htm](http://www.imf.org/external/np/sec/pr/2012/pr12180.htm).

<sup>36</sup> Ibid.

<sup>37</sup> Nevertheless, the Government maintains that at 1.8 per cent of total exports Latvia’s direct trade exposure to southern eurozone countries (Portugal, Italy, Greece and Spain) is negligible.

<sup>38</sup> Economist Intelligence Unit, “Latvia Country Forecast, September 2012”, p. 19.

<sup>39</sup> Weisbrot & Ray, “Latvia’s internal devaluation” (see note 15 above), p. 4.

<sup>40</sup> See IMF Country Report No. 12/31 (see note 18 above), p. 5.

<sup>41</sup> Ibid.

2014.<sup>42</sup> In 2008, the net external debt was 57.5 per cent of GDP and, at the end of 2011, it stood at approximately 46 per cent of GDP.<sup>43</sup>

36. According to IMF, since only €4.1 of the original €7.5 billion stabilization loan was drawn and only €1.1 billion used of the €1.7 billion provided by the Fund, the country's repayments to the Fund "are considerably lower than anticipated when the program was launched" and the country's "capacity to pay should be comfortable unless further intensification of the euro area crisis complicates plans to tap capital markets."<sup>44</sup>

37. It should be noted, however, that from a human rights and human development viewpoint, the IMF debt sustainability assessment has limitations. It is entirely based on economic projections focusing on debt repayment capacity without due regard to other demands on the Government's resources, including those needed to address the social costs of the austerity programme.

38. It is notable further that Latvia will have to repay a large proportion of the debt occasioned by the stabilization programme (€2.26 billion) in 2014-2015 with additional repayments scheduled in 2014 related to Eurobond debt. Given that debt repayment capacity depends to a large extent on income generation and that the revenue base has been diminished by reduced economic growth rates and lower employment, repayment of such an amount presents a challenge. Although the Government's view is that a favourable situation on the sovereign debt market and conservative expenditure policies may enhance the country's debt servicing capacity, IMF has expressed concern about the level of external short-term debt, noting that "in order to repay its public external obligations over the next 3 years without further eroding reserve adequacy indicators, the public sector needs to borrow €3 billion (about 14 per cent of 2012 GDP) during 2013-2015 in international markets."<sup>45</sup> According to IMF, the country's "high short-term external debt and weak reserve coverage ratios remain a source of vulnerability."<sup>46</sup>

## IV. Realization of human rights

### A. Right to work

39. One of the most severe social consequences of the financial crisis and the stabilization programme has been the sharp rise in unemployment (largely as a result of halted economic activity, declining investment and retrenchments). Structural reforms under the programme entailed, inter alia, public sector downsizing. The public service was downsized from 87,500 in 2008 to 62,300 during the second quarter of 2010, a reduction of

<sup>42</sup> See IMF, Republic of Latvia 2012 Article IV Consultation and Second Post-Program Monitoring Discussions, IMF Country Report No. 13/28, January 2013, p. 30 and 40.

<sup>43</sup> Ibid. p. 30.

<sup>44</sup> In December 2012, Latvia repaid its entire outstanding obligations to IMF, partly using proceeds from an international bond issue in December 2012 which had raised \$1.25 billion.

<sup>45</sup> IMF Country Report No. 13/28 (see note 43 above), p. 11.

<sup>46</sup> Ibid., p. 1.

29 per cent of civil servants.<sup>47</sup> Key State agencies such as the police<sup>48</sup> and public accountability bodies such as the Office of the Ombudsman were not spared.<sup>49</sup>

40. As one might expect, there was a marked rise in official unemployment – from 6.6 per cent in the second quarter of 2008 to 20.7 per cent in early 2010. A study by the World Bank estimates that unemployment almost tripled during the financial crisis.

41. It should be noted, however, that the official unemployment rate does not appear to measure the full cost of the recession and slow recovery to the country's labour market. Thus, it has been suggested that if the numbers of those involuntarily working on a part-time basis and those who have given up seeking work are taken into consideration, the peak unemployment/under-employment rate would have been 30.1 per cent in 2010, going down to 21.1 per cent towards the end of 2011.<sup>50</sup> Observers have noted the impact of the outflow of workers to other European Union countries on keeping the official unemployment rate lower than it would have otherwise been.<sup>51</sup>

42. In response to the high unemployment rate, the Government extended the period for receipt of unemployment benefits to nine months and, with funding from the European Social Fund, established a scheme to offer temporary public work to unemployed people for 100 lats a month, from which around 100,000 people reportedly benefited.<sup>52</sup> Nevertheless, it appears that the coverage of these schemes has not been sufficiently broad to include all those in need, nor were the benefits sufficient to assure a minimum level of sustenance,<sup>53</sup> with only one in three of the unemployed receiving benefits. According to IMF, "an increasing share of the unemployed have been out of work for more than nine months so they no longer qualify for unemployment benefits."<sup>54</sup> Moreover, benefit recipients with a social insurance record of less than 20 years experienced cuts to their benefits.<sup>55</sup>

43. Although employment has increased by about 70,000 since the beginning of 2010, the unemployment rate remained high at 15.8 per cent in 2011<sup>56</sup> and was estimated at 14.6 per cent in 2012 (or 165,000 people out of the labour force of about 1.1 million).<sup>57</sup> Of

<sup>47</sup> Åslund & Dombrovskis, *How Latvia came through the Financial Crisis* (see note 10 above), p. 73.

<sup>48</sup> The number of positions in the police was reduced through, inter alia, suspending recruitment, retiring an increased number of active officials and reducing the number of entrants to the State Police College.

<sup>49</sup> See note 8 above.

<sup>50</sup> Weisbrot & Ray, "Latvia's internal devaluation" (see note 15 above), p. 8.

<sup>51</sup> See, e.g., Economist Intelligence Unit, "Latvia Country Profile 2009", p. 19.

<sup>52</sup> Åslund & Dombrovskis, *How Latvia came through the Financial Crisis* (see note 10 above), pp. 76-78.

<sup>53</sup> In an opinion to the Saeima in 2011 concerning proposed regulations on the minimum rates of old age pensions, the Ombudsman noted that the minimum social security allowance to which the minimum rates of old-age pension was tied (i.e., 45 lats per month) had not changed since 1 January 2006 and was not "substantiated either by economic indicators or by estimates of the funds required to satisfy the individual's needs. See Ombudsman of the Republic of Latvia, "Briefing for the Independent Expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights," 17 May 2012.

<sup>54</sup> IMF Country Report No. 12/31 (see note 18 above), p. 22.

<sup>55</sup> Mihails Hazans, "The changing face of Latvian emigration, 2000-2010," in Birgita Zepa and Evija Klave (eds.), *Latvia. Human Development Report 2010/2011: National Identity, Mobility and Capability* (University of Latvia Press, 2011), p. 8.

<sup>56</sup> See also Latvia, Ministry of Economics, "Economic Situation Latvia" (Riga, May 2012), p. 15.

<sup>57</sup> IMF Country Report No. 12/31 (see note 18 above), pp. 8 and 51.

particular concern is the long-term unemployment situation, which remains persistent and accounts for over half of those out of work.<sup>58</sup> It is estimated that half the unemployed in Latvia have been out of work for more than a year.<sup>59</sup> The situation of the low-skilled labour force, which is more likely to be unemployed and does not meet the labour market's requirements, remains particularly challenging.

44. With regard to remuneration, nominal salaries have significantly declined with the adoption of the stabilization programme and the Government's macroeconomic policy, which was aimed at increasing productivity through reduced labour costs. Those who kept their jobs during the crisis experienced a cut in earnings of 25 to 30 per cent.<sup>60</sup>

45. The Independent Expert shares the view of the Ombudsman that employment is an important guarantor of the financial welfare of individuals and families.<sup>61</sup> He is concerned that unemployment has had a profound negative impact in terms of family income, cost of living and poverty rates in Latvia. Insufficient income has a direct adverse effect on the enjoyment of, inter alia, the rights to adequate food, housing, health care and education.

## B. Poverty and inequality

46. Unemployment and cuts in benefits have also contributed to rising poverty and inequality in Latvia. Moreover, the increase of regressive taxes such as VAT and the flat income tax has resulted in those with low incomes bearing the brunt of the crisis.

47. Latvian poverty rates remain among the highest in Europe. Even before the crisis, almost 36 per cent of the population was at risk of poverty and social exclusion, whereas average real GDP per capita (in purchasing power parity (PPP) terms) was 57 per cent of the European Union average.<sup>62</sup>

48. Poverty rates rose as a result of the 2008-2010 financial crisis. According to IMF, the share of the population at risk of poverty increased by 1.4 percentage points and average real income per capita declined by around 19 per cent.<sup>63</sup> Eurostat data indicates that 25 per cent of the population was at risk of poverty and 35 per cent of the population was severely deprived in 2008, among the highest in the European Union.<sup>64</sup> In 2010, a record 38 per cent of the population was at risk of poverty and social exclusion, whereas Latvia had registered the highest at risk of poverty rate in Europe for that year, with 21 per cent of the population affected.<sup>65</sup> According to Eurostat data, severely materially deprived people accounted for 27.4 per cent of the country's population in 2010.<sup>66</sup>

49. Inequality also deepened in this period and has reached one of the highest levels in the European Union. The poorest 20 per cent of the population earn seven times less than the richest 20 per cent: the Gini coefficient for Latvia has worsened in the last 15 years

<sup>58</sup> Ibid., p. 33.

<sup>59</sup> <http://www.imf.org/external/np/sec/pn/2012/pn1276.htm>

<sup>60</sup> Hazans, "The changing face of Latvian emigration," (see note 56 above), p. 81. See also Åslund & Dombrovskis, *How Latvia came through the Financial Crisis* (see note 10 above), p. 72.

<sup>61</sup> Ombudsman, "Briefing for the Independent Expert on the effects of foreign debt," 17 May 2012.

<sup>62</sup> IMF Country Report No. 12/31 (see note 18 above), p. 23.

<sup>63</sup> Ibid.

<sup>64</sup> [http://epp.eurostat.ec.europa.eu/cache/ITY\\_PUBLIC/3-18012010-AP/EN/3-18012010-AP-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/3-18012010-AP/EN/3-18012010-AP-EN.PDF)

<sup>65</sup> Ibid.

<sup>66</sup> Cited in IMF Country Report No. 12/31 (see note 18 above), p. 5.

from 31.0 in 1995 to 35.7 in 2011. During the crisis, the Gini index rose from 35.4 in 2007 to 37.7 in 2008, before decreasing to 35.7 in 2011.

50. In this context, the Independent Expert notes with concern the negative impact that the dismantling of the social safety net established during the stabilization programme could have on Latvian poverty and inequality rates. While the social costs of the crisis and austerity measures were high in terms of poverty and inequality, the rapid adoption of a safety net has provided some protection to disadvantaged groups and prevented many Latvians from falling further into poverty. With economic recovery, it is essential to cater for the needs of those who were most severely affected by the crisis and remain trapped in or at risk of poverty, by providing social protection and genuine opportunities to escape the poverty trap. An updated social protection system that responds to the country's current economic and social challenges is essential if Latvia is to lower its poverty and inequality levels to those of other European Union countries.

51. It is important to understand that poverty has a human rights dimension: it is not only a deprivation of economic and material resources but also a violation of human dignity. Poverty erodes or nullifies economic and social rights, such as the rights to health, adequate housing, food and education, as well as civil and political rights, including the right to a fair trial, security of the person and public participation. Viewing poverty through a human rights lens leads to better responses to the problem which do not undermine rights in the pursuit of economic growth and development.

52. The Independent Expert urges the Government to ensure that any proposed reforms to the social protection system are consistent with its international legal obligations in the field of social security and that priority is given to assuring the basic needs of the population, especially the poorest and most vulnerable.

### C. Right to health

53. Prior to the crisis, the Government had embarked on reforms in the health sector to improve its performance.<sup>67</sup> However, as opposed to the trend in most European Union countries, Latvia did not increase health spending as a percentage of GDP in the decade prior to the crisis. After the eruption of the economic crisis, the situation worsened as a result of the austerity measures and structural reforms implemented in the public sector, including the health sector. Between 2008 and 2010, the public health budget in Latvia was cut by 88.6 per cent. The total health care expenditure budget was cut from LVL576.56 million in 2008 to LVL503.73 million in 2009 and LVL432.78 million in 2010.<sup>68</sup>

54. The reforms were intensified during the crisis through mergers and closures of medical institutions and the redistribution and elimination of many public health functions, as the authorities set primary care as a priority over inpatient health care.<sup>69</sup> The number of publicly funded hospitals with inpatient care provision decreased from 88 in 2008 to 72 in

<sup>67</sup> The rationale was that, with a population of 2.2 million, the country "had far too many hospitals" and that reducing hospitals to 24 by 2013 would leave the country with enough hospitals "by any international standard." See Åslund & Dombrovskis, *How Latvia came through the Financial Crisis* (see note 10 above), p. 73.

<sup>68</sup> World Health Organization, *Health policy responses to the financial crisis in Europe*, Policy Summary 5 (2012), pp. 21, 55 and 56. Available from [www.euro.who.int/data/assets/pdf\\_file/0009/170865/e96643.pdf](http://www.euro.who.int/data/assets/pdf_file/0009/170865/e96643.pdf).

<sup>69</sup> *Ibid.*, p. 55-56.

2009 and 39 in 2010.<sup>70</sup> As previously mentioned, health sector reforms also entailed the retrenchment of hospital staff.

55. Austerity measures also encompassed the introduction or increase of user fees for health-care services and pharmaceuticals. The financial burden was transferred partially to patients, with a 59 per cent increase in co-payment for pharmaceuticals from 2008 to 2009 due to a reduction in the percentage of reimbursements.<sup>71</sup> This was a short-term measure to reduce costs, as it was understood that it could affect public health indicators in the long term.

56. Conversely, the Government strengthened its preventive care and health promotion programmes as part of its reforms of the health sector. For example, an early cancer detection programme for breast and cervical cancer was launched in 2009.

57. To mitigate the impact of the crisis and austerity measures on access to health of lower income population, Latvia secured a World Bank loan to improve access to health services by poorer population groups. Funds from the social safety net were mostly used to cover patient co-payments for health-care services and provide 100 per cent reimbursement of the cost of pharmaceuticals for persons with a monthly income of 120 lats or less.<sup>72</sup>

58. However, the available evidence indicates that the financial crisis and budget cuts in the health sector have undermined availability of and access to health care.<sup>73</sup> A study by the World Health Organization indicates that the number of hospitals per 100,000 inhabitants decreased from 3.18 in 2009 to 1.73 in 2010, while the number of hospital beds per 100,000 inhabitants decreased from 746 in 2008 to 625 in 2009 and 493 in 2010. Similarly, the number of hospital admissions and bed days in inpatient hospitals decreased by 27.1 per cent from 2008 to 2009.<sup>74</sup> Concern has also been raised that certain medicines were not included in the list of State compensated drugs (for example, medicines for colorectal cancer patients).<sup>75</sup>

59. According to a survey by the Central Statistical Bureau in 2011, the share of those who needed medical examination or treatment (except dental care), but could not afford it, had increased in 2011 as compared to 2008.<sup>76</sup> The survey showed that 26.8 per cent of the unemployed and 18.3 per cent of pensioners in 2011 had to refuse the medical treatment or examination that they needed on at least one occasion because they could not afford it.<sup>77</sup>

60. There is further concern that economic migration is leading to an increasing shortage of medical personnel in the country.<sup>78</sup>

61. The Independent Expert underscores that health is an important condition for individuals' well-being and dignity as human beings.<sup>79</sup> In this regard, States have an obligation to establish the basic conditions under which the health of the individual can be protected and promoted.

<sup>70</sup> Ibid., p. 103.

<sup>71</sup> Ibid., p. 55.

<sup>72</sup> See, e.g., E/C.12/LVA/CO/1, paras. 15 and 57.

<sup>73</sup> Ombudsman, "Briefing for the Independent Expert on the effects of foreign debt."

<sup>74</sup> See E/C.12/LVA/CO/1, p. 103.

<sup>75</sup> Letter from EuropaColon to Valdis Dombrovskis, Prime Minister of Latvia, 11 March 2012.

<sup>76</sup> See <http://www.csb.gov.lv/en/notikumi/population-s-self-assessment-state-health-2011-33358.html>.

<sup>77</sup> Ibid.

<sup>78</sup> See, e.g., E/C.12/LVA/CO/1, para. 26.

<sup>79</sup> See Committee on Economic, Social and Cultural Rights, general comment No. 14 (2000), para. 1.

62. The Independent Expert notes with concern that the Government's budget for 2012 envisaged further expenditure reductions for the Ministry of Health. While these reductions may be necessary to help the Government reduce the deficit, it is equally important that, in line with its obligations under the International Covenant on Economic, Social and Cultural Rights, the Government ensures that any necessary fiscal consolidation measures do not undermine the quality and affordability of, or equal access to, health-care services.<sup>80</sup>

#### D. Right to education

63. The education sector was also severely affected by the crisis, with a number of schools being shut down or merged, teachers retrenched and wages cut. In 2009, radical changes were implemented to the general education system, including through restructuring and rationalization of educational institutions and the adoption of the new funding model based on a fixed amount per student.<sup>81</sup> These changes appear to have been justified by the need to "encourage savings and efficiency" in view of the facts that the Latvian population had declined by 15 per cent since independence, birth rates remained low and the country had "too many schools and teachers."<sup>82</sup>

64. Since the adoption of the stabilization programme, the student/teacher ratio has worsened and the number of available institutions has decreased. According to the Government, the student/teacher ratio has increased from 9.2 to 10 students per teacher with the implementation of the new funding model. The number of schools with a low number of students (from 30 to 70 students per school) has also decreased significantly.<sup>83</sup> The number of teachers was reduced from 25,567 in the school year 2007/2008 to 22,629 in the school year 2009/2010, entailing a reduction of 3,122 teachers for that period. Similarly, the number of educational institutions decreased from 958 in the school year 2007/2008 to 846 in the school year 2009/2010, entailing a reduction of 102 institutions in the intervening period.<sup>84</sup> General education day schools decreased from 958 in the school year 2007/2008 to 814 in the school year 2011/2012. Among these institutions, schools instructing in Latvian decreased from 722 to 641, schools instructing in Latvian/Russian decreased from 88 to 65, schools instructing in Russian decreased from 141 to 99, and schools instructing in Polish decreased from 5 to 4 in the intervening period. Evening schools offering general education decreased from 13,223 to 12,002 and vocational schools decreased from 92 to 66, during the same period.

65. The adoption of the new funding model has had a direct impact on teachers' wages, as remuneration is now calculated on the basis of the number of students and not on working hours. According to estimates by the Latvian Trade Union of Educational and

<sup>80</sup> Ibid, para. 12.

<sup>81</sup> Under the model known as "money follows the student", funds were allocated to schools for teachers' wages on the basis of the number of students and not in relation to working hours. See [http://izm.izm.gov.lv/upload\\_file/en/general\\_education.pdf](http://izm.izm.gov.lv/upload_file/en/general_education.pdf); and <http://www.eurofound.europa.eu/eiro/2009/08/articles/lv0908029i.htm>

<sup>82</sup> The country had the highest teacher-to-student ratio in Europe – one teacher for every seven students compared with the European average of one teacher per 12 students. See Åslund & Dombrovskis, *How Latvia Came through the Financial Crisis* (see note 10 above), p. 73.

<sup>83</sup> See [http://izm.izm.gov.lv/upload\\_file/en/general\\_education.pdf](http://izm.izm.gov.lv/upload_file/en/general_education.pdf) (see note 84 above). Other estimates indicate that more than 100 schools were closed and 2,400 teachers retrenched. See Åslund & Dombrovskis, *How Latvia Came through the Financial Crisis* (see note 10 above), p. 73.

<sup>84</sup> See [http://izm.izm.gov.lv/upload\\_file/en/general\\_education.pdf](http://izm.izm.gov.lv/upload_file/en/general_education.pdf) (see note 84 above)



Scientific Employees, the average rate of teachers' monthly wages has declined from 345 lats to 250 lats since September 2009.<sup>85</sup>

66. The reduction in the number of educational institutions, teachers, and teachers' wages should be analysed against the context of far-reaching reforms and budgetary cuts to the public sector, including the education sector, as part of the stabilization programme. It is estimated that the total education and science budget was cut from 353 million lats in 2008 to 221 million lats in 2009.<sup>86</sup> The Latvian education budget was cut by around 25 per cent for that period.<sup>87</sup> Financial support to local and regional governments for teachers' remuneration was cut by 50 per cent in the 2009 State budget, equivalent to 101 million lats. Funding for higher education and science was reduced by 47 per cent in the same budget, equivalent to 15.2 million lats. Moreover, the Latvian Trade Union of Educational and Scientific Employees has estimated that the average funding per student was reduced from 963 lats to 466 lats per year, since the adoption of the new funding model.<sup>88</sup> It is notable that the funding model was robustly opposed by teachers in September 2009.

67. Nonetheless, it is notable that the above-mentioned reforms also respond to demographic changes in the country's population, whereby the number of students has decreased on average by 5 per cent per year since 2008. According to the statistics for general education, the number of students decreased from 250,941 in the school year 2007/2008 to 226,034 in the school year 2009/2010, entailing a reduction of 10,189 students in the intervening period.<sup>89</sup> The number of students in day schools offering general education decreased from 250,941 in the school year 2007/2008 to 206,440 in the school year 2011/2012. The number of students decreased from 13,223 to 12,002 in evening schools offering general education and from 38,819 to 34,618 in vocational schools in the same period.<sup>90</sup>

68. After the 2011 parliamentary elections, the Government (a new three-party alliance that retained Valdis Dombrovskis as Prime Minister) announced its intention to undertake structural reforms to achieve further consolidation in line with its commitment to meet the Maastricht criterion to join the eurozone, which includes strict budget and inflation targets. Reforms in this context are expected to affect the education and health sectors. For example, a new privately financed model has been proposed for higher education which will consist of private loans for students backed by the State. This proposal has generated opposition from both student and academic bodies. Similarly, the Government is considering cutting 6,000 teaching jobs in the coming years in line with the declining number of school-age children.<sup>91</sup>

## **E. Migration and trafficking in persons**

69. Although there has been an increase in emigration since the country joined the European Union in 2004, the financial crisis and austerity measures have led to a sharp increase in the levels of emigration of the economically active population, putting additional pressure on the already challenging demographic structure of Latvian society.

<sup>85</sup> <http://www.eurofound.europa.eu/eiro/2009/08/articles/lv0908029i.htm> (see note 84 above)

<sup>86</sup> Latvian Institute, "Budget cuts geared toward quality-oriented reorganization of the Latvian educational system," Fact Sheet No. 17, 13 March 2009.

<sup>87</sup> <http://www.eurofound.europa.eu/eiro/2009/08/articles/lv0908029i.htm>

<sup>88</sup> Ibid.

<sup>89</sup> See [http://izm.izm.gov.lv/upload\\_file/en/general\\_education.pdf](http://izm.izm.gov.lv/upload_file/en/general_education.pdf) (see note 84 above)

<sup>90</sup> Information provided by the Ministry of Education and Science of Latvia.

<sup>91</sup> Economist Intelligence Unit, "Latvia Country Profile 2012," p. 10.

70. In the context of rising unemployment, falls in wages and a significant worsening of the population's financial situation, many elected to leave the country in search of better opportunities. Emigration of workers reached its highest level during the crisis, compared to previous years. While estimates indicate that 80,000 people had emigrated in the pre-crisis period between 2004 and 2008, the same number of people left the country between 2009 and 2010 alone.<sup>92</sup> Some analysts put net emigration in 2009-2011 at 120,000 people, or 10 per cent of the labour force.<sup>93</sup>

71. A study by the University of Latvia indicates that the proportion of highly educated migrants and migrants belonging to ethnic minorities has greatly increased since the crisis. Similarly, women and young people are highly represented amongst those who emigrated in this period: 60 per cent of emigrants during the crisis years were women. Similarly, by the end of 2010, two thirds of emigrants were younger than 35, twice the share of this age group among stayers. As emigrants and potential emigrants are younger than stayers, the Latvian population is facing substantial changes to its age structure. Latvia is also at risk of a substantial brain drain.<sup>94</sup>

72. The Independent Expert is concerned that trafficking in persons also increased during this period. As people emigrate in search of opportunities abroad, they are more likely to end up trapped in trafficking networks or forced marriages. According to information provided by some organizations in Latvia, the number of victims of human trafficking has increased in parallel to the deteriorating socioeconomic situation and the lack of employment opportunities in the country. Sham marriages, forced labour – particularly for seasonal work – and sexual exploitation are currently the main forms of human trafficking. The profiles of the victims are also changing. In 2012, the number of young people aged 18 to 25 who were victims of trafficking increased by 14 per cent and accounted for 57 per cent of all trafficking cases.

73. In response to the problem of human trafficking, the Government has implemented some measures, such as increasing the level of financial support for victims,<sup>95</sup> conducting awareness-raising campaigns and establishing a new inter-agency working group tasked with implementing the 2009-2013 National Anti-Trafficking Programme. However, progress in the prosecution and conviction of trafficking offenders has been modest.<sup>96</sup>

## F. Minorities

74. The population of Latvia is approximately 2.2 million (according to 2012 estimates). Ethnic Latvians constituted 59.5 per cent of the population in January 2012. Other ethnic groups include Russians (28.3 per cent), Belarusians (3.7 per cent) and Ukrainians (2.5 per cent), Poles (2.4 per cent), Lithuanians (1.4 per cent), Livonians (0.008 per cent) and other smaller groups (2.7 per cent). Latvian is the State language, spoken by 62 per cent of the population.<sup>97</sup> Thirty-six per cent of the population use Russian as the main language of

<sup>92</sup> Hazans, "The changing face of Latvian emigration," (see note 56 above), p. 84.

<sup>93</sup> Weisbrot & Ray, "Latvia's internal devaluation" (see note 15 above), p. 9. According to the World Bank, the Latvian population decreased from 2.4 million in 2004, to 2.3 million in 2009, and 2.2 million in 2010. See <http://search.worldbank.org/all?qterm=latvia%20>

<sup>94</sup> Hazans, "The changing face of Latvian emigration" (see note 56 above), pp. 83-5 and 101.

<sup>95</sup> According to the Government, a total of 44 "recognized victims" and 295 "presumed victims" benefited from the State-funded social rehabilitation services between 2011-2012.

<sup>96</sup> According to the Government, there were a total of five convictions during the years 2009-2012 in cases under article 154 of the Criminal Code. The number of concluded first instance cases was only slightly higher during the same period.

<sup>97</sup> See <http://www.mk.gov.lv/en/latvija/>

communication. According to the Population Register, there were more than 300,000 people with the special status of “non-citizens” in 2012.<sup>98</sup>

75. Since independence, the rights of ethnic minorities in Latvia, particularly ethnic Russians, have become a contentious issue. In 2004, the Government adopted legislative reforms that restricted the use of the Russian language in schools.<sup>99</sup> Legislation on citizenship was tightened in 2006. According to the new legislation, candidates who fail a Latvian language test three times are denied citizenship but may resubmit documents for naturalization.<sup>100</sup> People without citizenship are entitled neither to vote nor to obtain a European Union passport from the country. Their possibilities of finding employment are also significantly curtailed without citizenship.

76. In the labour market, progress was made in the integration of the minority population between 1997 and 2008, due to strong economic growth and massive emigration of the labour force after the country’s entry into the European Union. By 2007, the ethnic employment gap had been eliminated. However, the position of minorities began to deteriorate again when Latvia entered economic recession in late 2008. Information available to the Independent Expert suggests that non-Latvians appear to have been disproportionately affected by the rise in unemployment, resulting in a re-emerging pattern of a significant ethnic employment gap.<sup>101</sup>

77. While the crisis has undoubtedly contributed to this trend, laws on language proficiency, such as the 1999 State Language Act and the 2009 Cabinet Regulations on professional State language proficiency, have further undermined the situation of members of minority groups in the labour market, as it extended the list of professions in the private and public sectors subject to intermediate or advanced Latvian language certifications.<sup>102</sup> In 2011, the ILO Committee of Experts on the Application of Conventions and Recommendations (CEACR) reiterated its concern about the discriminatory effect of these regulations on the working opportunities of minorities, particularly Russian-speaking minorities in the country.<sup>103</sup> Similar concerns were raised by the Council of Europe’s Advisory Committee on the Framework Convention for the Protection of National Minorities.<sup>104</sup>

<sup>98</sup> See Latvijas iedzīvotāju sadalījums pēc valstiskās piederības, January 2012, available from [www.pmlp.gov.lv/lv/statistika/dokuments/2012/ISVP\\_Latvija\\_pec\\_VPD.pdf](http://www.pmlp.gov.lv/lv/statistika/dokuments/2012/ISVP_Latvija_pec_VPD.pdf)

<sup>99</sup> The reforms prescribed that from the tenth grade, 60 per cent of learning content in secondary school is taught in Latvian. See Latvia, Ministry of Culture, *Guidelines on National Identity, Civil Society and Integration Policy* (2012-2018), (Riga 2012), pp. 22-23.

<sup>100</sup> According to the Government, naturalization tests have been simplified and the fees “have been reduced on several occasions.”

<sup>101</sup> By the third quarter of 2009, the gap had reached six percentage points. See Mihails Hazans, “Ethnic minorities in the Latvian labour market, 1997-2009: Outcomes, integration drivers and barriers,” in Nils Mužnieks (ed.), *How integrated is Latvian Society? An Audit of Achievements, Failures and Challenges* (Riga, University of Latvia Press, 2010), p. 153. See also Hazans “The changing face of Latvian emigration” (see note 56 above), p. 81.

<sup>102</sup> The list of occupations was extended several times in the period 2011-2008. The Regulations were adopted despite objections by employers’ associations. See Hazans, “The changing face of Latvian emigration” (see note 56 above), p. 82.

<sup>103</sup> Observation (CEACR) concerning Discrimination (Employment and Occupation) Convention, 1958 (No. 111) Latvia, 2011, available from [http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:13100:0::NO:13100:P13100\\_COMMENT\\_ID:2326146:NO](http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:13100:0::NO:13100:P13100_COMMENT_ID:2326146:NO)

<sup>104</sup> Advisory Committee on the Framework Convention for the Protection of National Minorities, Opinion on Latvia ACFC/OP/I(2008)/002 [http://www.coe.int/t/dghl/monitoring/minorities/3\\_fcnmdocs/PDF\\_1st\\_OP\\_Latvia\\_en.pdf](http://www.coe.int/t/dghl/monitoring/minorities/3_fcnmdocs/PDF_1st_OP_Latvia_en.pdf)

78. During the initial stage of the crisis, minority workers faced a higher risk of losing their jobs. For example, between 2007 and 2008, outflow to unemployment was 1.8 times higher among minority males and 1.6 times higher among minority women than among their respective Latvian counterparts.<sup>105</sup> In public administration, the representation of the minority population was below 20 per cent in 2009.<sup>106</sup> Between 2008 and early 2011, unemployment rates for Latvians rose from 6.4 per cent to 19.2 per cent, while unemployment for members of minorities without Latvian citizenship rose from 11.3 per cent to 32.5 per cent.<sup>107</sup>

79. The situation of minorities in relation to their income was affected by amendments to the Law on State Pensions, adopted on 19 June 2008, that prevent calculating as part of pensions the years worked in other former republics of the Soviet Union.<sup>108</sup>

80. The austerity measures have also had a disproportionate impact on minority schools.<sup>109</sup>

## V. Progress towards the Millennium Development Goals

81. The Independent Expert notes with concern that progress towards the achievement of the Millennium Development Goals is not adequately reported in Latvia.<sup>110</sup> Consequently, this report draws on information provided by some ministries about the progress in some areas. Progress in areas such as poverty reduction, education and health, should be a priority for any State, especially when faced with critical challenges such as high unemployment, stark income disparities and poverty. Like many other countries, Latvia has committed to achieving the Goals. It is therefore critical that sufficient attention is devoted to their achievement. The Independent Expert recalls the pledge made by all States that signed the Millennium Declaration to monitor and publicize the progress made towards the achievement of the Goals, and he urges the Government of Latvia to adopt all necessary measures to fulfil this commitment.

82. According to the Ministry of Health, progress has been made since 2005 with regard to Goal No. 3 (life expectancy between 2005 and 2010 increased from 77.4 to 78.4 years for women and from 65.6 to 68.8 years for men), Goal No. 4 (child mortality in the same period decreased from 804.37 to 532.7 per 100,000 inhabitants for children under 1 year, and from 42.22 to 35.8 per 100,000 inhabitants for children between 1 and 4 years),<sup>111</sup> and Goal No. 6 (with a sustained reduction in the incidence of HIV, tuberculosis, tuberculosis-related mortality, and diphtheria in the period 2005-2011).<sup>112</sup>

<sup>105</sup> Hazans, "Ethnic minorities in the Latvian labour market" (see note 104 above), p. 139.

<sup>106</sup> Ibid, p. 154.

<sup>107</sup> Hazans, "The changing face of Latvian emigration" (see note 56 above), p. 81.

<sup>108</sup> The Constitutional Court of Latvia has reviewed these amendments and found them constitutional. See Case No. 2010-20-0106, Judgment of 17 February 2011.

<sup>109</sup> See European Commission against Racism and Intolerance, Report on Latvia (fourth monitoring cycle) CRI (2012), para. 73, available from [www.coe.int/t/dghl/monitoring/ecri/Country-by-country/Latvia/LVA-CbC-IV-2012-003-ENG.pdf](http://www.coe.int/t/dghl/monitoring/ecri/Country-by-country/Latvia/LVA-CbC-IV-2012-003-ENG.pdf)

<sup>110</sup> The last report monitoring such progress was published in 2005.

<sup>111</sup> Information provided by the Ministry of Health.

<sup>112</sup> Ibid.

## VI. Development cooperation<sup>113</sup>

83. Latvian development cooperation policy is set out in the Development Cooperation Strategy 2011-2015, which incorporates the Development Cooperation Strategy approved in 2003 and the medium-term programme. The main goals of the policy are: (a) strengthening the role of Latvia as a bilateral donor, thereby pursuing the foreign interests of the country; (b) awareness-raising and promotion of public support for development cooperation goals and policy; and (c) enhancing the country's role in reaching international development goals and meeting international commitments.

84. Priority regions for the country's Development Cooperation Strategy are the Eastern Partnership States within the European Union Neighbourhood Policy, Central Asian countries and countries where Latvia has military or civilian expert missions. The areas of cooperation are informed by the European Consensus on Development and include democracy, human rights and governance; human development; social cohesion and employment; trade and regional integration; environmental sustainability; migration; infrastructure, communications and transport; sustainable development; and State security.

85. In accordance with the United Nations and European Union development aid targets, Latvia had committed to increase its official development assistance (ODA)/gross national income (GNI) ratio to 0.17 per cent by 2010 and 0.33 per cent by 2015. Although the country's ODA rose from \$10.65 million in 2005 to \$22 million in 2008, the financial crisis and subsequent budgetary cuts affected the aid budget, with ODA decreasing to \$21 million in 2009 and \$15.6 million in 2010. In 2011, ODA commitments increased to \$19.2 million (equivalent to 0.07 per cent of the country's GNI). Nonetheless, Latvia is far from reaching the internationally agreed ODA commitments.

86. Approximately 90 per cent of the country's ODA is disbursed through multilateral channels, mainly through the European Union but also through United Nations agencies, the International Development Association and others. The remainder is allocated bilaterally through technical assistance projects.

87. The Independent Expert commends the Government of Latvia for its international development assistance efforts. While he acknowledges the budgetary constraints occasioned by the financial crisis, particularly during the period 2009 to 2010, he urges the Government to continue striving to reach the internationally agreed ODA target as the country's economy recovers.

## VII. Conclusions and recommendations

88. **The Independent Expert acknowledges the progress made to restore economic growth in Latvia, reduce the fiscal deficit, stabilize the country's finances and improve its credit rating. However, the country's GDP remains far below its pre-crisis level and its external debt has substantially increased, partly due to the stabilization loan. Moreover, during his visit, the Independent Expert noted with concern a number of socioeconomic problems that require immediate attention, such as high unemployment, increasing poverty levels and income inequality, high emigration rates among the economically active population, an ageing population, insufficient availability of adequate health care and education services, insufficient support to families with a number of children, increasing trafficking rates and the lack of capital investment to assist in job creation.**

<sup>113</sup> Information provided by the Development Cooperation Policy Division of the Ministry of Foreign Affairs of Latvia.

89. Based on his findings as outlined in this report, the Independent Expert makes the following recommendations, addressed to the Government of Latvia and to its international partners.

## **A. Government of Latvia**

90. The Independent Expert urges the Government of Latvia to:

(a) Take steps to ensure that any measures to promote economic growth are directed to ensuring that the benefits of growth accrue to all the people, especially the poorest and most vulnerable groups, and that economic growth translates into improved living standards for the whole population.

(b) Consider reforming the country's social security system and in particular to extend on a permanent basis the social safety net established during the stabilization programme to respond to any current and emerging social and economic challenges.

(c) Implement its international financial obligations, including those under the stabilization programme, without resorting to further public spending cuts and other austerity measures that may undermine the enjoyment of the economic, social and cultural rights of the population.

(d) Consider amending the Law on Budget and Financing of Independent Bodies to ensure that public accountability bodies are financially and institutionally independent. In addition, every effort must be made to ensure that the budgets of these bodies are not reduced in times of austerity so that they are able to continue performing their functions effectively.

(e) Support the efforts currently being undertaken by the Ombudsman's Office to gain accreditation as a national human rights institution in full compliance with the Paris Principles.

(f) Consider adopting a rights-based approach to policymaking to ensure that the design, implementation and monitoring of public policies (including those concerning austerity) is consistent with the obligations for the promotion and protection of all human rights, particularly economic, social and cultural rights, that the country has assumed through ratification of core international human rights treaties.

(g) Consider adopting special measures to ensure that vulnerable groups are not disproportionately affected by austerity and other economic reform measures and are protected from the unintended harmful consequences of change and economic growth, thereby providing them with opportunities to improve their living standards.

(h) With regard to the rights of national minorities in the field of employment, ensure proportionality of language and citizenship requirements in the labour market as well as eliminate excessively restrictive regulations on professional language proficiency, which have a discriminatory effect on the working opportunities of minorities.

(i) Consider facilitating the process of naturalization of non-citizens who have resided in the country for decades and/or are children of such persons to ensure that they are afforded equal access to employment, education, health care and social security. Naturalization should be facilitated through provision of free training courses in preparation for the relevant examinations and through exemptions for

those who have reached retirement age, persons with disabilities and those who have studied in Latvia.

(k) In cooperation with destination countries, reinforce measures to prevent trafficking in persons, provide effective support and redress to victims, investigate and prosecute offenders and step up efforts to raise awareness about human trafficking.

(l) Pay sufficient attention to the achievement of the Millennium Development Goals and ensure the availability of comprehensive information on progress towards the Goals.

(m) Strive to reach the internationally agreed ODA target of 0.7 per cent of GNI and in this regard, to consider adopting a road map for achieving the target. In addition, the Government should adopt an aid strategy that avoids ad hoc allocation of funds, guarantees transparency and strengthens the recipients' ownership of national development agendas.

(n) Consider ratifying the core international human rights instruments to which Latvia is not yet party, particularly those affording the right of individual petition. Persons whose rights are under threat or have been infringed must be afforded the latitude to seek redress in a forum of their choice.

## **B. International partners**

91. The Independent Expert urges the country's international partners to:

(a) Avoid providing finance with intrusive and onerous policy conditions that may undermine the country's national development priorities as well as the realization of all human rights.

(b) With particular reference to IMF and the World Bank, ensure that their debt sustainability assessments take into account the other demands on the Government's available resources, especially those required for social investment and achievement of the Millennium Development Goals.