



Weekly Briefing

Latvia political briefing:
Prospects of Latvian political development in 2020
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Prospects of Latvian political development in 2020

Within the past months of the Year 2020 Latvia has experienced significant changes in the political ecosystem of Latvia. This year has come with multiple pressing issues and variety of uncertainties to the politics of Latvia. As the healthcare challenges of the Covid-19 have been gradually fading it is seen that more focus will be put on the integration of the Municipal Reform, elections of the Riga City Council and prevention of negative economic impact due to the pandemic.

Elections of Riga City Council

In 13th February 2020 the Parliament of Latvia accepted the Law of dismissal of Riga City Council. Riga is the capital city of Latvia and the Riga City Council provides municipality services to a third of the total population of Latvia. Because of the amount of citizens, Riga makes a high contribution to the national development in economics. Although during the first reading only four of the five coalition parties of the Parliament of Latvia voted for the dismissal of the Council therefore reaching the bear minimum of votes to pass the Law of dismissal of Riga City Council to the next reading, the majority of Members of Parliaments - 62 out of 100 – gave their approval of the dismissal process of Riga City Council during the last reading. The extraordinary elections were planned to be held at the end of April. However, because of the outbreak of Coronavirus in Latvia the elections were postponed and are going to be held on the 29th of August

As for the new members of the Riga City Council there is expected a change in the leading parties. For the last years the leading party of the Riga City Council was a pro-Russian social-democratic party, which had been involved in multiple corruption scandals. The available audit report by the State Audit Office shows that there are suspicions of unjustified use of several million euros, as well as possibly fictitious employment in two foundations of the Riga City Council.¹ Additionally the report of the State Audit Office states that the Riga City Municipality has not acted economically with the funds of Riga taxpayers when planning, allocating and monitoring the use of funding to associations and foundations, as the audit identified significant deficiencies in the funding planning, allocation and monitoring processes.

¹ <https://www.apollo.lv/6681762/vk-publice-reviziju-par-rigas-pasvaldibas-pieskirtajam-dotacijam>

With the scandals surrounding the Riga City Council, the dissatisfaction with the work of the Riga City council by the citizens of Riga has increased, and therefore a change in the division of political power over the Riga City Council is expected. The available internet polls from the period of 18th to 31th of May show that both the previously leading party of the Riga City Council “Saskaņa” and the relatively new political power in the Latvian political ecosystem “Attīstībai/Par!”, which is running for the elections together with the party “Progresīvie” and are both known to be more liberal, share approximately same amount of votes – more than fifth of the respondents according to the latest internet polls would vote for “Saskaņa” and the second fifth stressed that their votes would be given to “Attīstībai/Par!” together with “Progresīvie”.²

The Municipal Reform

It has been proven that the current municipality system of Latvia has been working ineffectively. The administrative costs of a citizen can vary from 50 to 200 Euros per citizen, only half of the municipalities can assure jobs for more than 40% of citizens who are in the working age. To add, only a half of the municipalities of Latvia can assure effective tools to make contributions to the development of regional entrepreneurship. Besides, only around the third of the municipalities of Latvia are able to make investments for the development of infrastructure worth 1 million Euros. ³ Additionally, the relatively small size of the municipalities decreases the chances to provide the citizens with the opportunity to receive high-quality public services such as ensuring proper education and transportation services. These and other issues have led to The Municipal Reform by which it is planned to decrease the number of municipalities from 119 to 42 by jointing multiple districts.

However, there is to be expected a resistance to adaption to the changes within the Municipal Reform. During June of 2020 , 46 representatives and heads of Latvian local governments addressed the President with a joint letter, calling not to promulgate the Law on Administrative Territories and Settlements adopted by the government of Latvia. However, the President of Latvia had already stated that the law will be promulgated, emphasizing that the reform is necessary in order to improve the capacity of local governments, to ensure that the

²<https://klubs.factum.lv/reitingi/>

³ Announcement by the Ministry of Environmental Protection and Regional Development of the Republic of Latvia. http://www.varam.gov.lv/lat/administrativi_teritoriala_reforma/

population receives quality and even services. The President of Latvia was convinced that the reform was in the interests of all citizens and should be carried out. After the President of Latvia promulgated the Law of The Municipal Reform one municipality of Latvia had already made a conceptual decision to dispute the law in the Constitutional Court as the representatives of the municipality do not consider the Municipal Reform to be based on democratic principles.⁴

Additional changes due to The Municipal Reform are expected within the public services. In connection with the entry into force of the Law on Administrative Territories and Settlements, the Prime Minister has issued a resolution to all government ministers to submit proposals on the necessary reorganizations in public administration for the implementation of administrative-territorial reform.

Mitigation of the consequences of the Coronavirus

The outbreak of the Coronavirus has left a significant consequences to the economy of Latvia. The current economic prognosis from the Ministry of Finance show that Latvia will experience fall of Gross Domestic Product in 2020 by approximately 7%.⁵ With the employment support measures approved by the government, the forecast of the number of people employed in the economy for 2020 has been slightly increased, expecting that the number of employees will decrease by 4.4% to 870 thousand this year, instead of the previously forecasted 5% decline. Accordingly, the unemployment rate in 2020 will be 10.5%, and compared to previous forecasts, the unemployment rate forecast has been reduced by 0.7 %.

As Latvia is a relatively small country a large proportion of the political development of Latvia will be influenced by the external events. The most significant negative risk is the recurrence of Covid-19 in Europe and Latvia, which may necessitate new, even stronger restrictive measures. There are also significant risks associated with escalating global, social and ethnic tensions, escalating geopolitical conflicts, a sharp rise in protectionism and high volatility in financial markets. At the same time, there are also positive aspects that could lead to a faster recovery in economic growth, including faster release of Covid-19 vaccines and

⁴ <https://www.delfi.lv/news/national/politics/varaklani-ka-pirmie-nolemj-satversmes-tiesa-apstridet-novadu-reformu.d?id=52255277>

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https://www.fm.gov.lv/lv/sadalas/tautsaimniecibas_analize/tautsaimniecibas_analize/galvenie_makroekonomiskie_raditaji_un_proгноzes/

drugs, stronger monetary and fiscal stimulus measures, and faster lifting of viral restraints and renewed business and consumer confidence.

The political strategy for the recovery from the consequences of the Covid-19 in Latvia include mainly 5 aspects - human capital, innovation, business environment for export capacity, access to finance and infrastructure. The Strategy of Latvia to recover from the Covid-19 has been divided in three time intervals - economic stabilization period, reorientation period, growth phase. As by the Strategy the period of the Year 2020 has been declared as the economic stabilization period the political measures to be implemented in 2020 have been aimed at stabilizing the financial situation of the population and entrepreneurs in the conditions of the Covid-19 crisis and limiting the spread of the virus in Latvia.

Summary

During upcoming months more focus on the political development of Latvia will be put on The Municipal Reform, Riga Council Elections and reduction of the consequences of the Coronavirus. Riga Council elections are expected to be held by the end of August. The current polls show that there could be rearrange of the political power within the Riga City Council thus decreasing the political power of the previously leading party of the City Council. Despite the open letter from 46 municipality representatives addressing the issues of The Municipal Reform, on June of 2020 the President of Latvia promulgated the Municipal Reform thus the next months will be devoted to administrative adaptation to the Reform. According to the political strategy of Latvia for mitigating the consequences of the Covid-19 crisis Latvia currently is in the phase of economic stabilization. Thus it is expected that with the upcoming months Latvia will focus on stabilization of the financial situation of population and entrepreneurs in the conditions of the Covid-19 crisis and limiting the spread of the virus in Latvia.