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To 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

**Impact of Debts of the Autonomous Republic of Crimea  
on the Crimean Residents Human Rights' Realisation**

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The Association of Reintegration of Crimea<sup>1</sup> gives the following submission to UN 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 for the Expert's report regarding international debt architecture reform and human rights at the 76th session of the UN General Assembly.

Our submission is devoted to the situation on impact of the debts of the Autonomous Republic of Crimea (hereinafter – the AR Crimea) on the Crimean residents' human rights' realisation. It deals with the issues of non-effective humanitarian, financial, industrial, environmental and social policy of the Russia's de-facto "authorities" in the Crimea since 2014. The illegal occupation and attempted annexation of the AR Crimea by Russian Federation (hereinafter – RF) since 2014 have been condemned in a series of international acts, including UN GA resolutions 2014 68/262, 2016 71/205, 2017 72/190, 2018 73/263 2019 74/168, 2020 75/192, 2018 73/194, 2019 74/17, 2020 75/29<sup>2</sup>, resolutions of the OSCE Parliamentary Assembly, of the Parliamentary Assembly of the Council of Europe 1988 (2014), 2028 (2015), 2067 (2015), 2112 (2016), 2132 (2016), 2145 (2017), 2198 (2018), 2231 (2018) etc., of the European Parliament's resolutions 2014/2841 (RSP), 2014/2965 (RSP), 2016/2556 (RSP), 2016/2692 (RSP), 2017/2596 (RSP), 2017/2869 (RSP), 2018/2754 (RSP), 2018/2870 (RSP), 2019/2734 (RSP), 2019/2202 (INI) etc. Those acts paid special attention to the brutal violation by the RF the fundamental rights of indigenous peoples.

The attempted annexation the Crimea by Russia was never recognized by the international community. Human rights violations in the Crimea now are the subject to consideration in international courts, including the International Court of Justice (case 166)<sup>3</sup> and the European Court of Human Rights (case 20958/14 and others).<sup>4</sup> The impact of debts of the AR Crimea on the human rights issues may be researched since 2012 when the AR Crimea made the internal budget debts in the Ukraine's legislation framework<sup>5</sup>.

<sup>1</sup> <https://arc.construction/>

<sup>2</sup> for example, <https://undocs.org/en/A/RES/73/263>

<sup>3</sup> <https://www.icj-cij.org/public/files/case-related/166/166-20191108-JUD-01-00-EN.pdf>

<sup>4</sup> <http://hudoc.echr.coe.int/eng?i=001-207622>

<sup>5</sup> <https://arc.construction/14910>

According to the Budget Code of Ukraine, local debt is the total amount of debt obligations of the AR of Crimea, for the return of received and outstanding loans (loans) as of the reporting date, arising from local borrowing<sup>6</sup>. The Verkhovna Rada of the AR of Crimea received the right to borrow in the form of issuing bonds of local loans, in accordance with the Resolution of the Government of Ukraine dated February 16, 2011 No. 110. Three months after the adoption of Resolution No. 110, the Verkhovna Rada of the AR of Crimea took advantage of the opportunity provided to get into debt.

The need for borrowing was justified with the aim of attracting funds to cover the budget deficit of the development of the AR of Crimea in 2011 for a comprehensive solution of the environmental problems of the AR of Crimea in terms of the implementation of an innovative environmental project in the field of collection and processing of solid household waste in the city of Simferopol and the Simferopol region. This was stated in the resolution of the Verkhovna Rada of the AR of Crimea dated May 18, 2011 No. 377-6/11 “On Borrowing in the Form of Issuing Internal Loan Bonds of the Autonomous Republic of Crimea in 2011”<sup>7</sup>. Resolution No. 377-6/11 was supposed to issue bonds of three series (A, B, C) for a total of UAH 400 million. However, in fact, only one series A was sold in the amount of 133 million.

The resolution and the prospectus provided for an interest rate of no more than 14.5 % per annum, and the maturity date was no later than December 31, 2014. For obvious reasons, timely redemption of bonds in 2014 did not take place. Having illegally attempted to annex Crimea and announcing its “inclusion in the Russian Federation”, the aggressor country seized all sources of income for the Crimean budget, and in addition received all its promissory notes<sup>8</sup>.

However, no one was going to return these debts. We should highlight the “scheme” used by the invaders need “come up with in order” not to return the loan. Maybe it was worth for Russia to hold another “referendum” on peninsula? At one time, the Nazi Party of Germany tried through a referendum to push through the “Freedom Law”, which would prohibit German officials from paying their debts. Voters ignored that referendum, but a little later the law was still approved by the Nazi Reichstag<sup>9</sup>. However, the Russia’s occupation “powers” of the Crimea since 2014 decided to make it even easier than its Nazi predecessors, although it took them four whole years to “think it over”.

First, the internal loan of the AR of Crimea in a strange way turned into an “external loan” of the fake Russia-controlled “Republic of Crimea”, not recognized by Ukraine, third countries and international organisations. Moreover, Ukraine’s domestic law, and even the “legislation” of the Russia’s occupiers, did not provide for such transformation at all. Then the fake “Law of the Republic of Crimea” of December 22, 2017 No. 447-3PK “On the Budget of the Republic of Crimea for 2018 and for the Planning Period of 2019 and 2020” was adopted. Such “law” stipulated that the conclusion of agreements on the settlement of financial claims related to the fulfillment of the “state external debt of the Republic of Crimea” is carried out until September 1, 2018. On October 1, 2018, the “Council of Ministers of the Republic of Crimea” by its “resolution” approved the “debt policy for 2019 and the planning period for 2020 and 2021”. One of the main tasks of this “act” was the

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<sup>6</sup> <https://zakon.rada.gov.ua/laws/show/2456-17>

<sup>7</sup> <http://crimea.gov.ru/act/10110>

<sup>8</sup> <https://arc.construction/14910>

<sup>9</sup> <https://www.forbes.ru/ekonomika-opinion/finansy/57980-germaniya-vyplatila-dolgi-pervoi-mirovoi-voiny>



“acceptance of debt obligations based on the principle of fulfilling all obligations in a timely manner and in full”<sup>10</sup>.

The continuous theater of the absurd further begun with debts of the AR of Crimea. The Russia’s invaders “invited” by “Crimea’s Government Resolution” No. 63 dated February 9, 2018, bondholders to submit financial claims to the “Ministry of Finance of the Republic of Crimea” before August 1, 2018 in order to settle the procedure for fulfilling the “state external debt”. That is, creditors were “invited” not to show for the fake “financial authority” their debt securities to pay off the debt of the AR of Crimea and pay interest on it, but simply offered them to declare to the “ministry” about their desire to repay them.

But this step was calculated precisely so that no one would turn to the “ministry”, that is, it was deliberately fraudulent. After all, usually in the budget amounts are laid down for the payment of both debt and interest for its servicing, as well as a mechanism for managing public debt is prescribed. Judging by the fact that the so-called “Law of the Republic of Crimea” “On the Budget of the Republic of Crimea for 2018 and for the Planning Period of 2019 and 2020” bypassed these issues in general, the invaders actually had no intention of returning the debt of the AR of Crimea, at least during 2018-2020.

Instead, the occupation “powers” adopted the “prescript” dated November 19, 2018 No. 1375-r, which announced “to consider as terminated the debt obligations of the Republic of Crimea on the internal local loan bonds of the Verkhovna Rada of the Autonomous Republic of Crimea series A with a total par value of 133,000,000.00 Ukrainian hryvnia in the amount of 133,000, because they were not presented for repayment (the lender did not act to conclude an agreement on the settlement of financial claims related to the fulfillment of the state external debt of the Republic of Crimea on the internal local loan bonds of the Verkhovna Rada of the Autonomous Republic of Crimea, issued in 2011”<sup>11</sup>.

So, this scheme, born by the Russia’s invaders, was simple. For four years to not mention the debts of the AR of Crimea at all, in particular – to forget about such “trifles” as interest rates on bonds; to give creditors 7 months to submit a financial claim to fake “authorities” for overdue debt obligations, understanding that such a claim will become a means of “recognition” of these “authorities”; and after 7 months, completely “forgive for themselves” the debts of the AR of Crimea unilaterally.

This Russia-born scheme has generally become an unprecedented practice in budgetary matters. After all, although, of course, the invaders do not have the right to speak on behalf of the AR of Crimea, they are still obliged to ensure that the creditors of the AR Crimea’s debts are repaid as a legal entity under their actual control. The “Explanatory Note” to the “report on budget execution” of the “Republic of Crimea” for 2019 notes that “as of August 31, 2018, the Ministry of Finance of the Republic of Crimea did not receive any applications to conclude agreements on the settlement of financial claims”<sup>12</sup>. Of course, the public and huge private structures of Ukraine will not turn to the Russia-controlled occupying “authorities”, and private individual creditors are well aware of the risks of such appeals in the face of constant repression on the peninsula<sup>13</sup>.

But it is worth to clarify – was this money lent in 2012 to the AR of Crimea “for the Crimean garbage” spent in general, or was it really “thrown into a landfill”. The old website of the Ministry of Finance of the AR of Crimea contains information from the issuer – the Verkhovna Rada of the AR of Crimea, which confirms that as of January 1, 2012, all 133

<sup>10</sup> <https://rk.gov.ru/ru/document/show/14064>

<sup>11</sup> <https://rk.gov.ru/ru/document/show/14576>

<sup>12</sup> <https://minfin.rk.gov.ru/ru/structure/219>

<sup>13</sup> [https://krymbezpravil.org.ua/wp-content/uploads/2019/01/CBR\\_forcible-expulsion.pdf](https://krymbezpravil.org.ua/wp-content/uploads/2019/01/CBR_forcible-expulsion.pdf)

UAH millions were entirely in the accounts of the Main Department of the State Treasury of Ukraine in Crimea. According to the information of Vitaly Voloshin, the First Deputy Minister of Finance of the AR of Crimea, during the six months of 2012, only 55 million hryvnias were spent from this loan. And the remaining 78 million UAH then remained unclaimed in the accounts.

But without spending the loan funds, the AR Crimea also did not return them to creditors. Six months later, the amount paid by the AR of Crimea as a legal entity in interest has doubled. It turns out that having spent 55 million UAH on the solution of the “garbage problem”, the autonomy paid almost 20 million UAH in interest. In total, almost 420 million UAH were provided for the financing of the “Clean City” in the Crimean budget for 2012 for the creation of a waste processing complex.

But after 2014 all relevant work for collection and processing of solid household waste in the city of Simferopol and the Simferopol region were stopped<sup>14</sup>. So those debts of the AR Crimea, which Russian invaders qualified illegally as “external ones” and “cancelled” them in 2018, did not give the result in area of improvement the ecologic situation in the Simferopol District<sup>15</sup>. As our Association has already written, the problem of collecting and processing solid household waste in Crimea has become urgent again since 2015<sup>1617</sup>. And it is not surprising, because the funds borrowed in 2011 for the construction of a waste recycling plant were spent inappropriately since 2014.

Therefore, the Russia State and so called “Republic of Crimea”, controlled by it, are not the successors of the AR of Crimea. But as the AR of Crimea as the legal person is now under full control of Russian invaders, they are responsible for all the debts of the AR of Crimea. After the de-occupation of Crimea, all debts of the AR of Crimea will have to be repaid to the Ukrainian creditors.

The Association of Reintegration of Crimea believes that a special research on influence of the armed conflicts, occupation and attempts of annexation to the debt and human rights issues, done by the Independent Expert may be a starting point for improvement of the situation. It would be beneficial if that research could pay attention to the situation with the financial consequences of the occupation the Crimea. The Independent Expert’s visit to Ukraine, including Crimea would contribute to collection of information, and would enable the Expert to make a first-hand impression of the Russian illegal practices in this region.

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<sup>14</sup> <https://arc.construction/6010>

<sup>15</sup> <https://arc.construction/12879>

<sup>16</sup> <https://arc.construction/5483>

<sup>17</sup> <https://arc.construction/9319?lang=uk>