



## **CORRUPTION PREVENTION AND COMBATING BUREAU**

**We take action against corruption for the good of society and the national interest with the full force of law and public support, in order to achieve integrity in the exercise of power vested in officials of State.**

**(Mission Statement)**

## **PROGRESS AND RESULTS IN PREVENTING AND COMBATING CORRUPTION IN LATVIA**

**Periodical update**

**2010**

For more information:  
Corruption Prevention and Combating Bureau  
Brīvības iela 104 building 2, LV-1001  
Riga, Latvia  
Phone: 67356135, 67356161  
Fax: 67331150  
E-mail: [dace.dubova@knab.gov.lv](mailto:dace.dubova@knab.gov.lv)  
Website: [www.knab.gov.lv](http://www.knab.gov.lv)

## Introduction

In order to address corruption in an effective and comprehensive manner a single institution was set up in Latvia through the Law on Corruption Prevention and Combating Bureau (KNAB) adopted on 18 April 2002. KNAB was established in October 2002 and its work is threefold: prevention of corruption, countering of corruption and education of the society on anti-corruption matters.

According to the Government decision from October 12, 2010 starting from 2012 Bureau will check **information provided in asset declarations** of public officials and will apply administrative sanctions for false statements. Currently this is responsibility of the State Revenue Service.

From the time KNAB was established until the end of last year **167 criminal cases against 376** persons initiated by KNAB are forwarded to the Prosecutors General office and **133 persons are convicted** for corruption related offences. During the last years role of international cooperation investigating corruption crimes has substantially increased and effective execution of requests of mutual legal assistance is crucial for successful investigation of cases of bribery, abuse of official power and other crimes.

Compliance report on Latvia “Incriminations and Party Funding” was adopted by the GRECO (Council of Europe Group of States against Corruption) at its 48<sup>th</sup> Plenary Meeting held in Strasbourg September 27- October 1, 2010. It was concluded that eight of thirteen recommendations from the Third Evaluation Round were implemented or dealt with in satisfactory manner. Substantial amendments were adopted in the Criminal Law regarding **provisions on private and public sector bribery**, for example, range of subjects of criminal liability for private sector bribery is expanded, acceptance of an offer of undue advantage is criminalized, public sector bribery in favour of third persons is criminalized, etc.

Complete compliance report:

[http://www.coe.int/t/dghl/monitoring/greco/evaluations/round3/GrecoRC3\(2010\)6\\_Latvia\\_EN.pdf](http://www.coe.int/t/dghl/monitoring/greco/evaluations/round3/GrecoRC3(2010)6_Latvia_EN.pdf)

In December, 2010 Latvia in the capacity of *ad-hoc* observer for the first time participated in the law enforcement meeting organised for members of the **OECD Working Group on Bribery in International Business Transactions (Working Group)** and in the regular meeting of the Working Group. Representative of KNAB briefed about implementation of anti-corruption policy since 2002.

In 2010 four meetings of **Public Consultative Council of KNAB** were launched. One of the meetings addressed issue regarding sanctions for violation of public procurement rules. According to current institutional and legal framework there is no single institution applying sanctions and Public Procurement Law provisions are implemented rather formally. It was suggested that taking into account mandate and experience of the Procurement Monitoring Bureau this institution could receive powers to apply administrative liability when respective breaches are detected.

## *Recent achievements*

### *Combating corruption*

In 2010 KNAB forwarded **15 criminal cases** to Prosecutor's Office asking to start criminal prosecution against 46 persons. 34 criminal proceedings were started by KNAB investigators during the last year, 7 criminal proceedings were received from other institutions. Average time of investigation of cases forwarded for criminal prosecution was almost one year or 341 days to be precise. In 2009 it was observed that number of corruption offences among public officials with low level of income and who execute control functions or work with financial resources remain on the same level. Whereas cases investigated in 2010 show that number of cases of active demand of bribes has increased after several years again which is related with effect of economic crisis to correlation between public administration and business activities.

In May KNAB started criminal proceedings for offering and giving a bribe of 5000 lats in relation to voting planned at the meeting of Jūrmala City Council the same month. Evidence gathered by KNAB show that a bribe in the amount of 5 000 lats was offered to a person to ensure that voting results for dismissal of Jūrmala City Council chairman on 20 May favour interests of a bribe-giver. Two persons were detained in the framework of criminal proceedings – deputy of Jūrmala City Council and board member of municipality's company. Both officials were detained on allegations for offering and giving a bribe, committed by two public officials in a group pursuant to prior agreement. Criminal case was sent to Prosecutor's Office in June. This is the second bribery case in Jūrmala City Council investigated by KNAB related to election of the chairman of the Council of this city.

In June KNAB started criminal proceedings regarding illegal activities of the state joint stock company "Latvenergo" officials alleging use of official position in bad faith for purposes of acquiring property, passive bribery and laundering of criminally acquired assets on a large scale in a group of persons during the period of time from 2006 until June 2010. Eight persons were detained in the framework of criminal proceedings in June, five of these persons work at state companies "Latvenergo" and "Sadales tīkls". In the course of pre-trial investigation it was detected that officials of the joint stock company "Latvenergo" and owner of a private commercial entity in organised group pursuant to prior agreement legalised large amounts of illegally gained money and other assets. For this purpose companies registered in Latvia and in other countries were used. Amount of "laundered proceeds" is not less than 1 130 000 euro.

In September criminal proceedings were started for illegal activities of prosecutor and three other persons in relation to bribery. In the course of investigation it was detected that a bribe of 2000 EUR was forwarded using two intermediaries, including a prosecutor. It was intended that the prosecutor would forward the bribe to a colleague in order to ensure favorable decision in criminal proceedings. However, in cooperation with Prosecutor's General Office and after successful implementation of operational activities it was established that money was not forwarded further and misappropriated by the prosecutor. The prosecutor was recognised suspect and according to the court decision held in custody.

In October KNAB has sent to Prosecutors General Office materials of criminal proceedings asking to start criminal prosecution against seven persons in relation to alleged criminal offences in relation to public procurement contracts in the University Children's Hospital (Bērnu klīniskā universitātes slimnīca) and three persons for other bribery cases. The investigator of KNAB suggested starting criminal prosecution against three public officials and seven other persons under several articles of the Criminal Law for fraud, giving and accepting bribes, misuse of official position, commercial bribery and use of false documents in 2009.

### *Financing of political parties*

KNAB is the authority in charge of monitoring **political parties'** compliance with party financing rules violations of which are subject to sanctions. In the light of elections to the Latvian parliament Saeima in October 2010 KNAB had increased work load. These elections were remarkable as for the first time mass media (printed media, internet, etc.) had to provide to KNAB price list for placing political advertisement which could not be changed. This provision provides the same rules for all the parties in terms of placing advertisement during campaigning period. Another observation from the 2010 elections is that political parties established alliances thus merging both human and financial resources as persons included in a party list in one of the five election districts could not be included in the list of the same party in a different district.

Although KNAB has rights to stop pre-election campaigning of any political party if established threshold for agitation is exceeded, during electoral campaigning in 2010 these rights were not exercised.

For 2010 electoral campaigning political parties have spent in total approx. 3,6 million lats (for comparison – campaigning expenses for elections to the Saeima in 2006 were 2,1 million lats). Largest sums for campaign were spent by party alliances elected in the Saeima: „Par Labu Latviju” spent 1 030 659,99 lats, expenditures of the coalition “Vienotība” and “Saskaņas centrs” reached 966 443,88 and 711 323,40 lats respectively, coalition of „Zaļo un Zemnieku savienība” spent 509 816,06 lats and expenses of coalition of „Visu Latvījai-TB/LNNK” were 125 802,75 lats.

It was detected that in 2009 and 2010 illegal funding of 20 183 lats was received by political parties which has to be returned to donators according to KNAB decisions. Further 1058 lats of illegal financing has to be reimbursed to the state budget according to KNAB decisions. Last year illegal donations of 5 772 lats were reimbursed to donators and 18 192 lats were paid to the state budget by political parties.

KNAB has imposed administrative fines for various breaches of rules on financing of political parties (for example, false statements in declarations, acceptance of restricted donations, etc.) ranging from 20 up to 620 lats in total amount of 7 650 lats.

According to amendments adopted in June 2010 starting from 2012 parties having passed threshold of 2 % votes in Saeima elections will receive state funding to cover administrative expenses and also to pay for electoral campaigns.

### *Control of activities of public officials*

Control over activities of public officials and prevention of conflict of interest is one of main fields of KNAB. KNAB has powers to examine whether public officials follow provisions of the law "On Prevention of Conflict of Interest in Activities of Public Officials" (the Law) and to enact administrative charges in cases when breaches of the Law are detected.

During the last year 86 public officials faced administrative charges (a fine from 50 up to 500 LVL). In most of the cases public officials breached special restrictions provided by the Law. It was also observed that public officials failed to observe procedure of receiving permission for additional employment. Sanctions were enacted mostly against elected officials of local governments which is similar to situation in 2009.

Further, income and financial benefits obtained by violating the restrictions stipulated by the Law have to be reimbursed to the state budget. In 2010 7 public officials were asked to reimburse 28 390 lats earned by violating provisions of the Law (income gained in conflict of interest situation, violating provisions regarding commercial activities, income from additional income without permission if the latter two have caused substantial harm). Starting from 2002 until the end of 2010 public officials are bound to return approx. **317 390 Ls.**

In 21 cases it was detected that expenses of public officials and their relatives exceed their declared income. This information was forwarded to the State Revenue Service (SRS) for further proceedings (for example, income audit). During the last year SRS on basis of previously submitted information by KNAB has decided that 7 persons have to pay additional taxes and also fines in total of 688 976 lats.

In 2010 KNAB has detected 119 various violations related to utilization of state and local government property. Most of violations in this area include drafting tender documents in favour of certain companies and concluding agreements without economic justification. In 23 cases using official position or exceeding official authority gained personal undue advantage or third persons benefited from this advantage. In most of the cases public officials used official vehicles for private needs or paid severance.

One of the cases reviewed by KNAB was related to Norwegian Financial Mechanism (NFM). It was detected that local government announced procurement tender and during the time of evaluation of submitted bids received donation from one of the bidding companies. This information was forwarded to responsible institutions and as a result Norwegian Foreign ministry decreased proportion of funding from NFM.

KNAB has checked 656 declarations of assets of public officials due to complaints and inquiries received from the population and in 25 cases (which is less for 28 % than in 2009) information provided in declarations appeared to be false. This information was forwarded to the SRS for further proceedings.

### ***Education of the society and public officials***

KNAB provides training to various institutions of public administration on topics of applying provisions of the law “On Prevention of Conflict of Interest in Activities of Public Officials”, recommendations concerning internal anti-corruption measures in state and municipal institutions. In 2010 special attention was paid to amendments in the Criminal Law sanctioning request and acceptance of undue advantage applicable to employees of state institutions who are not public officials. Audience of 3500 persons received training delivered by KNAB during the last year.

### ***International co-operation***

Membership in OECD Working Group on Bribery in International Business Transactions and joining the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions is one of the country’s priorities. In December, 2010 Latvia in the capacity of *ad-hoc* observer for the first time participated in the law enforcement meeting organised for members of OECD Working Group on Bribery in International Business Transactions (Working Group) and in the regular meeting of the Working Group. Representative of KNAB briefed about implementation of anti-corruption policy since 2002 and main results.

Experience and knowledge is shared also with countries members of the Anti-Corruption Network for Eastern Europe and Central Asia, an outreach initiative of the OECD Working Group and also with OECD member states. For example, in 2010 KNAB hosted representatives from various institutions in Turkey, Albania, Georgia, Tajikistan.

Together with the Lithuanian Special Investigations Service KNAB representatives are involved in implementation of *Twinning* project “Strengthening the capacity of Anti-Corruption Department of Prosecutor’s General Office of Azerbaijan”. In 2010 KNAB received three delegations from the Anti-Corruption Department and delivered training on role of public relations and awareness rising in the work of anti-corruption agency.

KNAB representatives were also invited to give expertise on anti-corruption policy and results in the framework of OECD and GRECO monitoring mechanisms in Slovakia, Ukraine and Azerbaijan. KNAB representative was member of the GRECO working group which had to decide about the issues for the Fourth Evaluation Round.

From December 2010 KNAB is a member of International Anti-corruption Hunters Alliance established and led by the World Bank Vice president on Integrity Matters.