



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**

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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.

KNAB is the authority in charge of monitoring **political parties'** compliance with party financing regulations violation of which is subject to sanctions. This period was challenging for KNAB due to vested exclusive rights for KNAB to stop pre-election campaigning of any political party if established threshold for agitation is exceeded. However, during campaigning before elections to municipalities and to the European Parliament this spring KNAB did not exercise these rights.

This year marked beginning of new anti-corruption policy planning period for the next five years and when developing **National Corruption Prevention and Combating Strategy for 2009 -2013** the new realities of corruption were taken into account.

Prevention of conflict of interest in the public sector remains one of the key issues in Latvian anti-corruption policy with an appropriate legal framework in place since 1995. In accordance with the last important amendments to the law "On Prevention of Conflict of Interest in Activities of Public Officials" public officials are not allowed to have paid additional employment in more than two positions in state or municipal institutions and state owned enterprises. Another important restriction was adopted stipulating that officials of municipalities after leaving position in municipality shall not be shareholders for two years in the company which has participated in tenders launched by the same municipality.

KNAB is designated national **contact point of network against corruption** of the Member States of the European Union in accordance with the decision adopted by the Cabinet of Ministers on 30 June, 2009. Decision of the Council of the European Union on setting up a contact-point network against corruption was passed in October, 2008 thus recognizing the importance of enhancing international cooperation in the fight against corruption at EU level.

Recent achievements

Combating corruption

In September KNAB started criminal proceedings against officials of the State labour inspectorate (SLI) alleging fictitious employment of persons. Formally several persons were hired for the implementation of projects financed from the European social fund and European regional development fund whereas officials of the SLI received undue advantage. Five persons were recognised suspects in accordance with provisions of the Article 318 of the Criminal Law (Using Official Position in Bad Faith).

During the first six months of 2009 KNAB has started **14 criminal proceedings**, 3 criminal proceedings were received from other law enforcement institutions. Investigation of **14 cases** against 62 persons was completed and sent for criminal prosecution. KNAB asked to pursue criminal charges for passive bribery against 27 persons.

KNAB completed investigation of one of the most voluminous cases in relation to sustained bribery at the Station for Inspection of Vehicles and asked to start prosecution against 31 persons, including 17 officials of the station, also former ones.

In January 2009 KNAB initiated criminal proceedings in relation to bribery in National Armed Forces. Head of Logistics Command demanded and received a bribe of 1 000 LVL from a company with the purpose to ensure that the company is awarded a contract on supply of equipment. Official of the National Armed Forces was recognised as suspect for acts provided in the Article 320 (2) of the Criminal Law.

14 criminal proceedings were initiated during this period and half of those on basis of information gathered by the Criminal Intelligence Division of KNAB. Further, gathering of evidence was completed in 14 cases which were forwarded to Prosecutor's Office asking to start criminal prosecution against 62 persons.

Further, KNAB asked to start criminal prosecution against official of the Welfare Department of Riga City Council for accepting bribes during a period of one year. In the course of investigation it was detected and proved that Riga City Council official as a chairman of procurement commission ensured awarding of contracts to certain companies.

In March 2009 criminal proceedings against prosecutor of Jūrmala city were sent for criminal prosecution for extortion of a bribe using an intermediary. In a course of pre-trial investigation it was detected that 25 000 LVL bribe was demanded from a person with a purpose to commit illegal activities in safeguarding interests of this person in the framework of criminal proceedings led by the prosecutor. Acceptance of the bribe was planned in several parts and the prosecutor was detained on October 17, 2008 after 15 000 LVL, the first part of the bribe was delivered. In the framework of criminal proceedings KNAB officials also detained a private person. The case is forwarded to the court.

Further, criminal proceedings against two investigators of Internal Security Division of the Finance Police were sent for criminal prosecution. KNAB asks to file charges for accepting bribes and for

using official position in bad faith for purpose of acquiring undue advantage as well as for large scale tax evasion. In the course of investigation it was established that officials of the Finance Police used information from data basis of the State Revenue Service for supporting criminal scheme. They also used professional knowledge and skills for providing consultations how to conceal criminal offences.

7 court verdicts came into effect and that includes also sentence for the former Director and judge at the same time of the Land Register of Daugavpils. She was sentenced to two years imprisonment with confiscation of property. In the course of investigation 30 various episodes of long-term passive bribery were detected and proved.

Head of Division of the Ministry of Transport was found guilty and sentenced with a fine for failure to act (Article 319(3) of the Criminal Law) as well as for forgery of documents and deliberate use of such documents (Article 327 (1) of the Criminal Law).

Financing of political parties

From the time KNAB started to control financing of political parties up to date **2 004 452, 81 LVL of illegal funding** was discovered from which parties have reimbursed 294 637 LVL, including 570 LVL during the first six month of this year.

In the light of both elections to local municipalities and to the European Parliament in June 2009 KNAB had increased work load. Amendments in the law „On Pre-election campaigning before elections to the Saeima and the European Parliament” and the law “On Pre-election campaigning before elections to local municipalities” vested exclusive rights for KNAB to interrupt pre-election campaigning of any political party if established threshold for agitation is exceeded. Starting from the 120 day before elections up to the date of the election the pre-election expenditure limits applied to certain positions of expenditures: placement of advertising; using of mail services (including electronic mail) for distribution of pre-election campaigning and financing of charity events connected to the election campaign, paying benefits and making gifts (donations). Study of information received from broadcasting organisations and media representatives show that costs for distribution of advertisement exceeded two million lats and in total was 2 198 609 LVL.

Monitoring of party campaigns showed that two political parties have spent at least 90 % of allowed resources but the established threshold was not exceeded. Thus, KNAB did not exercise rights provided by the legislator.

Several in-depth examinations are carried out in relation to use of financial means of the European Parliament for pre-election campaigning.

Working group led by KNAB has developed draft concept on financing of political parties suggesting three possible solutions. One of the three proposed options is providing state financing for political parties starting from 2010 and it was approved by the Cabinet of Ministers. This provision would apply to parties which have passed threshold of 2 % unless parties violate provisions regarding financing of political parties, pre-election agitation or the elections in general. State funding can be used for pre-election campaigning, premises, communication services and similar positions amount of which is proportional to number of voters. In order to implement state

funding for parties more than 550 thousands of (half a million) lats have to be allocated from the state budget.

KNAB has elaborated amendments to the **Criminal Law** sanctioning donations to parties in large amounts (to be applied to financial means or other values) above the established threshold. Amendments stipulate applying criminal liability also for accepting large scale donations as well as requesting illegal contributions in large amounts.

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.

Further, income and financial benefits obtained by violating the restrictions stipulated by the Law have to be reimbursed to the state budget. Starting from 2002 up to date public officials are bound to return approx. **193 000 LVL and about 58 000 LVL are reimbursed so far.**

During first six months of this year 29 public officials were asked to reimburse in total 29 902, 41 LVL.

From January till June 2009 41 case of violations of provisions of the Law was disclosed and 34 public officials faced administrative charges (a fine from 50 up to 500 LVL). Sanctions were enacted mostly against officials of municipalities and state police. In most of the cases public officials breached special restrictions on additional employment and restrictions on obtaining income as well as failed to follow the procedure of asking permission for additional employment.

In May KNAB completed examination into allegations of inexpedient use of budgetary funds in the Latvian Olympic Committee (LOC). Officials of associations, sports foundations, including LOC, and capital companies receive subsidies and contributions from the state budget and they have rights to take decisions regarding these funds although they **are not public officials**. Thus provisions of the Law are not applicable to them and no declarations of assets are submitted by officials employed in these organizations. It was concluded that legal framework in relation to such organisations has to be improved in order to avoid risks of corruption in the future.

KNAB has checked declarations of assets of 223 public officials due to complaints and inquiries received from the population and in 18 cases information provided in declarations appeared to be false. This information was forwarded to the State Revenue Service for further proceedings.

Progress and problems in implementing the anti-corruption policy

In order to ensure enduring and accountable anti-corruption policy KNAB in close co-operation with other institutions has elaborated new medium term policy planning document National Corruption Prevention and Combating Strategy for 2009-2013. The Strategy was adopted by the Government in May 2009 and it identifies main objectives in the anti-corruption field:

- to ensure efficient and legal use of state and municipal property and that includes also financial resources provided by the European Union and other international organisations;

- to improve control of financing of political parties;
- to continue work on prevention of conflict of interest in activities of public officials as well as improve control of assets and property of public officials gained in conflict with provisions of the law;
- to improve internal control systems in state and municipal institutions;
- to decrease tolerance of the society towards corruption and increase the awareness of public officials about legal requirements in the area of corruption prevention;
- to improve capability of countering criminal offences in public administration;
- to ensure that hearing of cases is well timed and in good quality;
- to ensure observance of principle of good governance in public administration.

In drafting this document analysis of what has been achieved in the framework of the previous National Corruption Prevention and Combating Strategy for 2004-2008 is conducted. Objectives set out in the previous Strategy were almost reached completely, however measures for controlling assets of natural persons are not still implemented. Also, illegal payments in providing health care services are not uprooted and no institution is assigned for enacting administrative charges when violations in public procurement are disclosed. Finally, no procedure for lease of state and municipal property is in place. These issues are still on the agenda of anti-corruption policy.

Education of the society and public officials

KNAB provides training to various institutions of public administration on topics as 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 and the role of ethics in this process and also providing information concerning procedure for pre-election campaigning. During the first 6 months of 2009 training was delivered to almost 500 persons.

International co-operation

KNAB is designated national contact point of network against corruption of the Member States of the European Union according to decision adopted by the Cabinet of Ministers on 30 June, 2009. According to the Council Decision task of the network is to facilitate the establishment and active maintenance of contacts between authorities and agencies of EU Member States mandated to prevent and counter corruption. In order to improve cooperation on anti-corruption issues among EU Member States, it shall constitute a forum for exchange throughout the EU of information on effective measures and experience in the prevention and combating of corruption.

There are a lot of inquiries about work and results of KNAB from the European Neighbourhood Policy target countries and EU candidate countries. In spring 2009 KNAB hosted delegations from Armenia, Georgia and former Yugoslav Republic of Macedonia.

There have been also internal changes affecting international co-operation of KNAB. Starting from July 1 2009 international cooperation matters are handled by the Corruption Prevention Division. This Division works also with education of public officials, corruption risk assessment in institutions and draft legislation, anti-corruption policy planning and communication with mass media.