



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

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Introduction

The establishment of the *Corruption Prevention and Combating Bureau (KNAB)* in October 2002 was one of the most significant steps in the area of fight against corruption in Latvia. KNAB has a comprehensive set of tasks based on three pillars: prevention, investigation and education.

KNAB has developed the national *Programme for Corruption Prevention and Combating for 2004 – 2008*. It is a fundamental element of the national anti-corruption policy. Continuing work on its implementation, which is overseen by KNAB, shows remarkable progress on the way towards enforcement of anti-corruption policy in Latvia.

KNAB monitors financing of political parties. Violations of regulations in this area are subject to sanctions. More transparency in the funding of political parties has been introduced through the establishment of more effective control mechanisms and thresholds in pre-election campaigning. After strengthening legislation political parties in Latvia are no longer allowed to receive donations from legal entities.

KNAB is also mandated to examine whether the activities of public officials are in compliance with the law "On Prevention of Conflict of Interest in Activities of Public Officials" and to bring administrative charges in cases when breaches of the Law are detected.

Currently the Criminal Law of Latvia stipulates that both local and foreign public officials may be held criminally liable for corruption-related offences.

Latvia is member of the European Union and has joined the anti-corruption conventions of the Council of Europe and the United Nations. A key future priority and challenge is participation in the OECD Working Group on Bribery in International Business Transactions and joining the OECD Convention on Combating Bribery in International Business Transactions.

KNAB is actively involved in providing technical assistance in the framework of initiatives carried out by the Council of Europe and the Organisation for Economic Co-operation and Development (OECD). It shares its experience in combating corruption with other countries of Central and Eastern Europe, as well as the former Soviet Union.

Recent Achievements

Combating corruption (investigation)

On 1 October 2005 the *Criminal Procedure Law* entered into force aimed at improving efficiency of judicial institutions in Latvia through simplifying criminal procedure and hastening legal procedure. It is also estimated that the new Law shall decrease number of cases in institutions of pre-trial investigation and in courts as well as shorten trial process. Special institution of investigation judges is another novelty to be implemented under the new Law. The Criminal Procedure Law also stipulates issue of legal assistance and cooperation with other countries on matters of extradition. Under the new Law a person shall be extradited to another EU member state should there be allegations of corruptive offences, terrorism, trafficking of people and human organs, legalisation of illegal proceeds, fraud related to the financial interests of the EU, etc.

From the time the Criminal Procedure Law is effective and up to date 27 criminal processes have been initiated by the KNAB.

In October, 2005 a public official of one of the regional sub-branches of the Naturalization Board was detained for accepting bribes. A few days later Director of the regional branch in Valmiera was detained for accepting bribes, while Director of Riga Municipal Police Headquarters was detained for intermediation in bribery. The reason for giving a bribe was to ensure successful naturalization and receiving thereafter citizenship of Latvia.

Two officials of the Riga City Council were detained in December 2005 based on allegations that one of the officials had accepted a bribe of LVL 12 600 whereas the other person was detained for intermediation in bribery.

In January 2006 a criminal process was initiated when official of the Bureau was offered a bribe of LVL 50 000 which was already the second case when a bribe has been offered to employee of the Bureau.

Last of the criminal processes initiated in March and May 2006 for giving of bribes to police officer of the Criminal Police, abuse of officials position in bad faith by the mayor of city council and by bailiff.

18 criminal cases for corruption-related offences have been adjudicated up to date and only in two cases verdict of not guilty were made. In both cases the decision was appealed by the prosecutor.

Financing of political parties

KNAB receives declarations of political parties' financial activities (declaration on expenditure of pre-election campaigns, election expenditure declaration, and annual financial declaration) and compiles and analyses information provided in those declarations as well as monitors receiving donations in accordance with the regulations.

During the last six months in 2005 it was detected that two political organizations have received donations of LVL 4919 in contradiction with the current regulations. Donations received violating the law have to be paid to the State Treasury and so far parties have forwarded LVL 100 272.

Examination of declarations which had to be submitted in relation to local elections (elections of city, district and *pagasts* councils) in 2005 has showed that some of the parties have not declared donations or indicated false information in the declarations.

As from 2004 after adoption of amendments to the *Law on Financing of Political Organisations (Parties)* it is restricted for legal persons to make donations to political parties. In addition, criminal liability has been introduced for intermediation in financing of political parties.

The Bureau has also drafted new amendments to the *Law on Financing of Political Organisations (Parties)* which would establish clear procedure for returning pre-election campaigning expenses in cases when the threshold is exceeded.

Prevention of conflict of interest in activities of public officials

A number of complaints and inquires have been received from the population on allegations of conflict of interest of public officials. During the last 6 months in 2005 the Bureau has examined 589 declarations of public officials. Administrative liability was imposed against 77 public officials for violation of the *Law on Prevention of Conflict of Interest in Activities of Public Officials*. In most of the cases public officials had breached provisions of the Law stipulating that it is prohibited to issue administrative acts, perform supervision, control, inquiry or punitive functions and entering into contracts should relatives or counterparties were personally or financially interested.

Also, special restrictions on combining offices of public officials were not observed in number of cases. As a result 27 public officials were asked to reimburse income and financial benefits obtained by violating the restrictions specified in the Law.

When comparing income and expenditure for some of public officials it was alleged that in 20 cases expenditure had exceeded income. All the information was forwarded to the State Revenue Service in order to proceed with examination of sources of income for those persons.

Implementation of national anti-corruption policy

KNAB in close co-operation with other institutions involved in the corruption prevention and combating in Latvia has elaborated the *National Programme for Corruption Prevention and Combating for 2004-2008*, which was adopted by the Government in August 2004. The Programme sets priorities, defines responsible institutions, their tasks and timeframe for the implementation.

By October 2005 assignments related to development of *internal anti-corruption measures* within institutions have been completed, however it has been notified that problems with these assignments are due to lack of financial resources and poor knowledge.

Following the initiative of KNAB, inter-institutional working group is developing the draft law *On Concept on Improvement of Income Control of Natural Persons*. While it was scheduled to complete the work on the draft law by 1 March 2006, this has been delayed.

Unified system of salaries for public officials has been developed and approved by the Government. In order to ensure that corruption cases are reported in public institutions, draft law *On Disciplinary liability for civil servants* has been developed and adopted by the Parliament in the second reading.

In order to finance *criminal intelligence* activities while investigating corruption-related offences, special account was established with funding of LVL 100 000 from the state budget.

Main priorities for 2006 in implementing the Programme are to ensure the implementation of *internal anti-corruption measures* through detecting areas of internal risks and also by providing proper education to executives of public institutions.

Also, draft legal regulation has to be completed stipulating the *lobbying* activities in Latvia.

Another important issue is evaluation of *administrative procedures for private business* activities as there have been complaints that current procedures are time consuming.

Development of Anti-Corruption Legislation

Crucial *amendments in the Criminal Law* have been adopted in order to improve legal measures in fight against corruption. Currently the Law stipulates that both local and foreign public officials may be held criminally liable for corruption-related offences. Furthermore, the Law sanctions active bribery, passive bribery in both public and private sectors. Under the Criminal Law also intermediation in bribery, misappropriation of a bribe, giving bribes on behalf of another person, receiving and offering a bribe as well as intermediation in bribery with appropriate sanctions.

From October 2005 *criminal liability for legal persons* has been introduced in Latvia.

Finally, the Criminal Law stipulates that legalization of illegally acquired proceeds is a criminal offence and thus criminal liability is applicable for such offences.

In March 2006 new *Law On Public Procurement* was adopted by the Parliament aimed at increasing transparency of public procurement procedures, however the President within the given jurisdiction requested reconsideration of the Law.

KNAB has expressed its concerns that that the new Law on Public Procurement will cause risks of corruption. One of the problem areas is increased threshold for tenders which are exemption from the standard procurement procedure. Currently the legislation provides that for procurements below LVL 1000 negotiation procedures shall apply, whereas the new law establishes the threshold of LVL 10 000 which is a very high threshold in Latvia. It was agreed that procedures for small tenders shall be stipulated by the Regulations of the Cabinet of Ministers which are to be drafted.

After adoption of the amendments to the Law on Prevention of Conflict of Interest liability for members of procurement commission has been introduced.

Active involvement in international cooperation

Council of Europe. In 1999 Latvia has signed the Council of Europe Criminal Law Convention on Corruption and in 2004 the Civil Law Convention. Latvia is one of the 40 member states of the Council of Europe Group of States against corruption (GRECO). KNAB is representing Latvia at

GRECO. KNAB regularly participates in GRECO plenary meetings. KNAB was recently selected as rapporteur for the second round compliance report of GRECO on Estonia.

European Union. KNAB welcomes the *initiative on setting up of a European Anti-Corruption Network* proposed by the Austrian Internal Bureau of Investigation in January 2006 and currently participated in its discussion through the Multidisciplinary Group on Organised Crime of the Council of the European Union. Currently member states of the EU seek to agree on general objectives and scope of activities of the Network. The aim is to avoid duplication of functions with existing bodies and institutions.

United Nations (UN). In January 2006 Latvia ratified the UN Convention against Corruption, which is the most recent and comprehensive international anti-corruption instrument. In April 2006 representative of KNAB took part in the informal *consultation group meeting on Establishing an International Association of Anti-Corruption Authorities* held in Vienna. The objective is to establish an association as an independent, non-political and non-governmental organization that will promote the effective implementation of UN Convention.

Organisation for Economic Co-operation and Development (OECD). Among key future priorities and challenges in the same time for Latvia is participation in the *OECD Working Group on Bribery in International Business Transactions* and accession to the *OECD Convention on Combating Bribery in International Business Transactions*. Expertise and knowledge of KNAB in implementing anti-corruption policy and legislation could be a useful contribution to the efforts to implement the OECD Convention. The principles and values of the OECD Convention have been introduced into the legislation of Latvia in light of joining the European Union and implementing the Council of Europe Criminal Law Convention on Corruption.

Assisting other countries

KNAB is actively involved technical assistance to countries of Central and Eastern Europe and the former Soviet Union either through *bilateral cooperation* or *regional initiatives* of the Council of Europe and the OECD. Extensive training session on development and implementation of anti-corruption policy was provided for representatives of *Moldova* in October 2005. Delegation from the Procurement Monitoring Bureau of *Former Yugoslav Republic of Macedonia* (FYROM) was hosted in March 2006. The aim of the visit was to discuss measures to prevent corruption in public procurement. This was the second visit of representatives from the FYROM to exchange experience in the area of fight against corruption with Latvia. Officials of the KNAB have participated as experts in evaluations carried out by the OECD Anti-Corruption Network for Transition Economies' providing assessment of legal and institutional anti-corruption framework and drafting recommendations for *Kazakhstan* and *Tajikistan*. Other experts from Latvia have worked with the OECD Anti-Corruption Network for Transition Economies on evaluations of *Russia, Kyrgyzstan, Azerbaijan, Armenia and Georgia*, and prepared discussion paper "Assessing Trends in Corruption and Impact of Anti-corruption Measures".