



Periodic Update

Riga, April 2004

The Government that came to power in November 2002, after the General Election, has declared the fight against corruption as its top domestic policy priority. Implementing the government's priority through the establishment of a single agency entrusted with a task to both combat and prevent corruption, elaboration of an anti-corruption strategy and continuing work on improvement of the legislation is a remarkable progress on the way of strengthening the institutional and legal framework for enforcement of anti-corruption policy.

The Corruption Prevention and Combating Bureau was established in October 2002. The Bureau has been fully operational since 1 February 2003 yet the results achieved so far show fairly good results in the fight against corruption. The Bureau is an institution of the State Administration under the supervision of the Cabinet of Ministers. The Bureau has been created to play a central and leading role in preventing and combating corruption. At the present the Bureau employs almost 120 people. The budget for 2004 is approved at LVL 2.8 million (about 4.4 million euro), including PHARE project funding in comparison with the budget at LVL 1,7 million (about 2,7 million euro) for the year 2003.

Implementing its functions the Bureau is working in close cooperation with State Police, Security Police, Constitution Protection Bureau, and Finance Police within the State Revenue Service, Military Police and Customs' Internal Audit Division. The Prosecutor's Office carries out the role of the state plaintiff, pursues the charge in a court, and supervises the law enforcement agencies, including the Bureau within the jurisdiction of the Latvian Criminal Law.

The Bureau has elaborated a draft National Strategy for Preventing and Combating Corruption. Based on this Strategy the Bureau in close co-operation with all the agencies and institutions involved in the corruption prevention and combating has elaborated a National Programme for Preventing and Combating Corruption. Effective inter-agency efforts to combat and prevent corruption in the future are ensured by the National Program on Corruption Prevention and Combating.

National Strategy for Preventing and Combating Corruption for 2004-2008 was adopted by the government on 8 March and points out at actual problems in prevention and combating of corruption currently as well as indicates lines and directions of activities to solve the problems. Based on indicated current problems, 7 guidelines of activities in the future were elaborated:

- prevention and combating of state capture;
- prevention and combating of inexpedient, inefficient, and illegal use of state and municipal property;
- activities for improving the control of property status;
- activities for improving corruption combating in ensuring quick and high quality investigation of criminal cases;

- activities for ensuring legitimate and expedient allocation of funding of European Union and international institutions and organizations;
- activities for providing and improving internal anti-corruption systems in every state and municipal institution;
- activities for increasing legal awareness of anti-corruptive issues among state officials and other members of the society.

The content of activities has been harmonised with state institutions and law enforcement agencies. Based on the National Strategy, draft of the State Corruption Prevention and Combating Programme has been elaborated and currently harmonisation process on the content takes place with other institutions.

Political parties finances

The Bureau has extensively implemented examination of annual financial declarations of political parties and donation reviews for year 2002. It has been detected that 23 political parties have received donations in total amount of 308 555, 53 LVL in contradiction with the Law on Financing of Political Organisations (Parties) and thereof illegally received donations have to be paid back to the State Treasury. So far 98 490, 02 LVL have been paid to the State Treasury.

Most violated restrictions are:

- receiving money in cash directly (not using bank transfer),
- surplus of donation limit from a natural person per year and,
- intermediation in giving donations.

Results of examinations have been introduced to the public with mediation of mass media representatives and also published in a number of newspapers.

Currently, examination of financial declarations for 2003 is in process.

Examination of activities of public officials

Since June 2003, the Bureau is mandated to bring administrative charges against public officials and to impose penalties for violation of restrictions provided in the Law on Prevention of Conflict of Interest. Up today, the Bureau has examined activities of 388 public officials, conflict of interest and their connection with business activities, also 1237 declarations of assets. In activities of 74 public officials administrative violations were detected and in 34 cases a fine was imposed and mostly for violation of restrictions on combining the offices and for taking decisions in their own interest. In 51 cases, incompatibility of income and expenditure was detected in activities of public officials. Information on non-compliance of income and expenditure has been forwarded to the State Revenue Service and penalties were imposed, in 4 cases obligation to pay income tax to the state budget for illegally acquired income.

Disclosed criminal cases

The Bureau has been fully operational since February 2003 and so far there are 32 criminal cases within the competence of the Bureau. 4 criminal cases the Bureau has received from other law enforcement agencies, 13 criminal cases are passed to the Prosecutor's Office for criminal prosecution. 3 criminal cases have been passed to the Court.

Most of the criminal cases were initiated for:

- using official position in bad faith,
- accepting bribes,
- intermediation in bribery.

5 criminal cases were initiated for forgery of document, steal or stamp and use or sale of a forged document to issue false payment orders for voluntary contributions for the benefit of political organizations (including parties „New Era”, „Union of Farmers and Greens”, People’s Party). Total amount of 74717 95 LVL was contributed to political parties using false payment orders.

Among persons against whom criminal cases have been initiated there are:

the Prosecutor, Head of Information Centre of the Ministry of Interior, employee of Internal Security Division at Prison Administration, police officers and public official from the State Agency for Compulsory Health Insurance. One criminal case was initiated against Deputy Head of State Cultural Monument Protection Inspection.

In the process of introduction of digital television in Latvia, *ultra vires* actions and omissions of state officials were present and a criminal case was initiated for exceeding official authority and failure to act by a state official. The case has been sent to the Prosecutor’s office for criminal pursuit and further investigation on the case is still in process.

Amendments in the legislation of Latvia

Amendments to the Law on Financing of Political (Organisations) Parties were adopted by the Parliament in February of 2004. The general objective of the amendments is to eliminate existing loopholes in the law, improve the control mechanisms and make the process of political party financing more transparent. Stricter criteria of political parties’ financing, as well as stronger sanctions for violations of this law were introduced by those amendments. Among many other changes, restrictions to receive donations from legal persons were introduced apart from an obligation to declare source of financing.

- Criminal liability for intermediation in financing political organizations has been introduced in the Criminal Law.

- Access to information from credit institutions is available after approval of amendments in the Credit Institution Law. From now the Bureau is mandated to require information from credit institutions while investigating criminal cases (with a prosecutor’s permission).

Permission of chairmen of the Supreme Court or of an authorised judge is required to:

- to receive information on transfer settlements, income, debts and business deals of public officials;
- to examine legitimacy of donations and financial assets received by political organizations and indicated in financial declarations of those organizations.

Amendments in the Administrative Violations Code foresee extension of term of imposing charges for public officials if a corruptive administrative violation has taken place.

For violation of restrictions of the Law of Financing of Political Organizations (Parties) amendments foresee introduction of stricter penalties.

Assistance in strengthening the institutional capacity of the Bureau

During the period from January 31- March 17 two international experts worked within the frame of the project “*Strengthening the Institutional Capacity of the Corruption Prevention and Combating Bureau*”. The project was financed from the grant fund of the government of Japan and for the implementation of this project terms of reference on anti-corruption component were elaborated. After the announced selection a representative from the Central Corruption Prevention Agency in France *Jean Pierre Bueb* and former director of Corruption Prevention and Education, Independent Commission against Corruption in Australia *Peter G Gifford* were selected as short-term consultants.

During their assignment in Latvia, a number of workshops were organized for the employees of the Bureau on management organization issues, on importance of work planning of an institution as well as on detection methods of violations of public procurement procedures. Report on evaluation of the work of the Bureau, including recommendations to improve the work was elaborated by both consultants.

The biggest impact of experts was assistance in development of draft of Action Plan for the Bureau for 2004-2008. That is a document which covers main areas of activities and foresees measures to implement those activities in corruption prevention, combating and education of the society for the term of 4 years. The Action Plan is to be further elaborated and approved by the Board of the Bureau.

Progress on implementation of international projects

Based on approval of the European Commission funding of the project “Development and Strengthening of the Corruption Prevention and Combating Bureau” was allocated within the PHARE National programme. Currently, the project fiche was reviewed and decision was taken to replace the Twinning activities with technical assistance of foreign experts. Process of amendments to the project is being finalised to meet fully the needs and requirements of the Bureau.

With an aim to improve and raise the level of technical equipment and to provide related training, the project “Supporting the Corruption Prevention and Combating Bureau” was elaborated by the National Bureau of Investigation in Finland and the Bureau in 2003. The first training session for the personnel of the Bureau has already taken place in Finland. Equipment delivery intended for surveillance activities along with the second training session is expected to take place in April in Latvia. Total costs of the project are 60 000 EURO.

Draft laws related to ratification of international conventions:

Within the competence of the Bureau lies ratification of following conventions:

-1995 Convention on the protection of the EC’ financial interests and its Protocols (PIF Convention). The Bureau elaborated and submitted to the Cabinet of Ministers draft law on ratification of the Protocol of the mentioned convention. Ratification of the Protocol was approved by the government in May, 2004.

- Draft law on ratification of the 1997 Convention on the Fight Against Corruption involving Officials of the European Communities or Officials of MS of the EU has been approved by the Parliament.

- Civil Law Convention on Corruption has been signed by the representatives of government of Latvia.

The Bureau is currently elaborating draft law on accession to the United Nations Convention against Corruption.

OECD Latvia has also engaged in dialogue with the OECD Committee on International Investment and Multinational Enterprises (CIME) Working Group on Bribery in International Business Transactions, to determine ways to further align its activities with objectives.