



ACCOUNTABILITY  
INDEPENDENCE  
RULE OF LAW  
INTEGRITY  
DIGNITY

CORRUPTION PREVENTION  
AND COMBATING BUREAU

10 YEARS





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## Jaroslavs Streļčenoks

*Director of Corruption Prevention and Combating Bureau*

We are celebrating our tenth anniversary...

Ten years of strenuous work. Ten years of open and long struggle, together with you, the people of our country, for our joint future without corruption. Working with those of you who live and work honestly, we have strengthened the rule of law, and increased integrity and prosperity in our country over the last ten years.

The first ten years were not easy; we have had to face bitter criticism from both politicians and officials. However, there will be more successes achieved in the fight against corruption by the employees of the Corruption Prevention and Combating Bureau than criticism and doubts expressed about the existence of the Bureau.

Thanks to the help and support provided by you and international experts, we believe in the goal that corruption will become the exception in the next decade. We believe that we do necessary and important work. You have always been and always will be the source of our belief – you, the people of Latvia, who help us fight corruption, and who have been and will continue to be our allies due to your behaviour and your sense of morality.

I would like to express my sincere gratitude to all former and present employees of the Corruption Prevention and Combating Bureau for sacrificing their energy and family time to prevent and combat corruption and to the control of political party financing. I would like to thank the international experts and institutions for their support in the laying of the foundation for anticorruption in Latvia and strengthening it, and of course, I would like to thank you, the Latvian people, for your trust and moral support.

We are ten years old!

Dear reader

The edition you are holding is dedicated to the tenth anniversary of the Corruption Prevention and Combating Bureau (hereinafter referred to as the Bureau or KNAB), in which we encourage everyone to look back at the activities carried out by the Bureau in decreasing of corruption in every area of our activities: in activities of public officials and in financing of political parties, by raising public awareness and by investigation of corruption-related offences. Throughout the years we have described our accomplishments with words, showed them in figures, and visualised them with images, indicated the trends in corruption in Latvia, and reported the most outstanding cases that surprised, shocked or gave us pleasure. Jaroslavs Streļčenoks, the Director of the Bureau, has also shared his feelings in this brochure and expressed his gratitude to society for its assistance in the fight against corruption and for its faith in the Bureau. Juta Striķe, the Deputy Director responsible for combating corruption, suggests keeping in mind that our work will result in the prosperity and well-being of Latvia, and Ilze Jurča, the Deputy Director responsible for preventing corruption, compares the Bureau's tenth anniversary with a tortuous road which sometimes went up, sometimes down, only to continue rising to new peaks. You will also be addressed by the people who participated in the creation of the Bureau and by the people we are working shoulder to shoulder with today. As well, we have included a timeline of the last 10 years, showing the most significant historical facts associated with our work, as well as our work's most meaningful outcomes.





## Juta Striķe

*Deputy Director, Corruption Combating Matters*

Ten years of the Bureau's existence have gone by. Ten years of hard work. The Bureau has changed, we have changed, and our country has changed during this time. We have become cleverer and stronger. Our country has become better, which is partly due to our work.

We have fought for and kept independence in our thoughts and deeds. We have protected the Bureau from unprecedented attacks and vile betrayal. We have succeeded in keeping the Bureau as an independent anticorruption institution, free from outside influence, without losing seemingly unwinnable battles. We have gained experience and knowledge which has been recognised and acknowledged at the international level. The Bureau has become a reliable and reputable international partner of other democratic countries.

This is the achievement and the result of the work of each honest and unselfish KNAB employee. They may not get awards or prizes for this work. Everyone should remember that the results of our work will be the prosperity of Latvia and the well-being of the Latvian people, which cannot be achieved without a harmonious legal environment. I would like to thank you for your devotion to the future of Latvia and to thank your loved ones, who help you live and work.

While we are looking back at the past for a moment, we must not forget that life goes on and continually brings us new challenges. The fact that our state and the Bureau have recently avoided a catastrophe does not mean that we can relax our thinking about how bad it could have been. At the moment Latvia has the opportunity to take a big step in the improvement of our legal environment. We should therefore move swiftly to perfect the entire system of anticorruption measures.

We mustn't reproach ourselves saying we did not want it. We wanted and did a lot, but we must want and be able to do much more. Not for ourselves – for the benefit and pride of our people and our country – Latvia!



## Ilze Jurča

*Deputy Director, Corruption Prevention Matters*

In commemorating the first decade of activities of the Corruption Prevention and Combating Bureau it is necessary, as at any anniversary occasion, to look back on what has been achieved and outline new goals and heights to strive for.

In the history of the Latvian state the first decade's activities of the corruption prevention institution appear as a crooked path, with ups and downs, at times seeming intolerably difficult and complicated, at times resulting in outstanding victories, and at times accompanied by a lack of understanding, mistrust and even hatred. However, this path has unmistakably led towards great achievements and been brim-full of ideas.

The history of Latvia as a nation will always remember the first time so-called "immune persons" were detained, the victory in court against dishonest political parties now removed from the political theatre, the international recognition earned acting both as recognised anti-corruption experts in various international institutions and providing intellectual support to states which are now also combating corruption. Educational activities for the society and its officials have been initiated in conflict of interest and ethical matters, and systemic control of public officials' activities has been established, applying penalties to indecent officials. We have developed as well as collaborated in the implementation of a number of regulatory enactments to incorporate in the law norms that would prevent the state from stealing while at the same time securing that public official's use of the state power entrusted to them solely for the sake of the public rather than their personal interests.

Unfortunately, history will also remember such things as indecent KNAB officials caught in criminal activities in relation to the misappropriation of funds and illegal disclosure of information as well as the active furthering of rumours in the media regarding the lack of political neutrality within Bureau activities that still need to be refuted by fairly doing its work.

Looking back in the past and forward to the future it must be concluded that for the KNAB employees this has been and also further should be a mission, that all is not finished, and that a nation without corruption has not been built yet. The public's trust has been granted us, though it will not be eternal and there always will be forces to which we will be a serious obstacle. Only through persistent and hard work, constant improvement and development, clearly and ruthlessly assessing our mistakes, understanding them and learning from them we will be able to fulfil all tasks entrusted to us by the state and society.

Being aware of these simple but at the same time complicated things, knowing what path lies still ahead of us but realizing as well that this is possibly the only path worth taking so that our children could read about corrupted politicians only in books. In the next decade we will try to be better, more genuine, smarter and more professional and remember that a small group of people being loyal to common goals and ideals has the chance to change the world.





## Ēriks Kalnmeiers

*Prosecutor General of the Republic of Latvia*

The Prosecutor's Office greatly acknowledges the work of the Corruption Prevention and Combating Bureau in its execution of the functions and tasks established by law.

Every day you perform responsible and rather difficult work in the field of fighting corruption, to reinforce the rule of law in our country. Although the Bureau must daily face hard work, for the last ten years you have proved that this work can be done, but I think that we all realise that there is still much to do and to improve. Ten years is a relatively short time and yet at the same time is quite a long period for such a specific institution as KNAB to demonstrate the need for its existence and its efficiency, but also to come to some painful conclusions and learn some lessons about how difficult and hard it is to live up to expectations. However, I can say that the active fight against corruption is being carried out, and that the situation in this field is improving.

I hope that you continue to contribute to the fight against corruption, continue to improve control over the financing of political parties, and continue to strengthen the public image of your institution with the results of your work!



## Dr. jur. Aleksejs Loskutovs

*Member of 11th Saeima, chairperson of Corruption Prevention Subcommittee of the Defence, Internal Affairs and Corruption Prevention Committee  
Director of Corruption Prevention and Combating Bureau (27.05.2004 - 29.06.2008)*

### Corruption Prevention and Combating Bureau and Latvian anticorruption policy

Looking back at the history of the Corruption Prevention and Combating Bureau in context with the anticorruption policy of the Republic of Latvia, the decision on the establishment of the Bureau must undeniably be recognised as the most important political decision.

Oponents of the active work of the Bureau were hoping that the Bureau would adopt an academic approach to their statutory duty to work out the public strategy and programme on corruption prevention and combating, without engaging in the purposeful improvement and reinforcement of anticorruption activities. We are glad to conclude that their hopes were not realised – the Corruption Prevention and Combating Bureau has worked diligently and with persistence to elaborate policy planning documents, to ensure their implementation, and has improved the prevention and combating of corruption step by step.

To illustrate the active approach KNAB takes, one could name only some of the documents prepared by the Bureau and adopted by the government, often in spite of the lack of political will, even when facing open resistance from the heads of ministries and institutions: Concept on improving control over the income of physical persons of 2005, Concept on the necessity for a legal framework for lobbying in Latvia of 2008, Concept on the financing of political parties of 2009, Concept on the regulatory framework for the prevention of conflicts of interest in the actions of public officials of 2009, and Concept on the provision of publicly available information on lobbyists of 2011. Adoption of each concept was a significant step in the field of anticorruption activities, resulting in laws and subordinate regulatory acts.

It is significant that during the execution of its functions the Corruption Prevention and Combating Bureau maintains a broad outlook and does its best to reduce the risk of corruption, which is also confirmed by the most recent development planning document – Concept on the reduction of the risk of corruption in state administrative bodies and municipalities, that was adopted by the Cabinet of Ministers on February 7, 2012.

I greatly acknowledge the work performed by the Corruption Prevention and Combating Bureau, and I wish the Bureau team to continue to determine the direction of anticorruption activities, and not to give up in the face of difficulties!

## Valts Kalniņš

*Researcher of Centre for Public Policy Providus*

The mission of anticorruption institutions often includes a paradox. They must fight corruption in public structures while being a part of this structure. They must investigate violations of the law committed by representatives of the political elite; however, the Bureau itself was founded by the decision of the political elite and works according to the regulatory acts adopted by the political elite. They depend on collaboration with wide sections of society, although in some places only a few citizens consistently criticise corruption as a matter of principle.

The Corruption Prevention and Combating Bureau is also a paradoxical institution. During these ten years it has proved itself to be one of the most effective anticorruption institutions in Europe. However, the Bureau has also been harmed, both because of unending political attempts to neutralise it and also because of dishonesty in its ranks.

Sometimes the best officials of the Bureau seem to be lone warriors in a country where many are corrupted and a much larger number have sunk into a strange indifference. Although such an appearance has always been deceptive (honest officials can always be found in other institutions as well), we have often heard such evasions from various public structures – we have KNAB to fight against corruption, so let them worry about it.

In celebrating the anniversary of the Bureau, I would like to hope they feel their supporters' help more and more in this arduous struggle. I hope that the people of the Bureau keep their motivation and endurance, and to apply high standards of honesty, both to themselves and to others. The challenge of the next decade will be to transform a short-term success story into long-term proof that combating corruption can be successful.



## Ģenerālis Aldis Lieljuksis

*Head of State Police (07.12.2006 - 24.03.2009)*

I greatly acknowledge the KNAB contribution to the work of fighting corruption, however, in order to make its work more effective, all institutions and society in general must be involved in this fight, as sustainable results in the elimination of the plague of corruption, can only be achieved through cooperation. There is no such active collaboration and proactive behaviour at the present time; therefore the results in combating corruption are less than is required by the actual situation at present.

At the same time the idea to liquidate KNAB has persisted for all of these ten years! It shows that previous KNAB activities have actually prevented dishonest officials from corrupt actions. The attitude of society must radically change, including the attitude towards politicians, as society must ask them to exchange their collective irresponsibility for individual responsibility.

I wish KNAB strength and stamina in the years to come, and I hope that the Bureau will reduce the most significant hindrance to the development of our country – corruption in public and private sector. Good luck!





## International assessment of corruption distribution

In 2011, significant progress in the fight against corruption was observed, as reported by the non-governmental organization Freedom House, pointing both at the political situation – the parliament's dismissal and early elections results, and the results of KNAB activities improving Latvia's rating in the corruption field by 0.25 points (see Figure 1). The index in a specific year is expressed for the previous year over a range of one to seven where one is the highest assessment and seven – the lowest mark in the progress of the democracy. Unlike Estonia and Lithuania, Latvia in the Freedom House rating during the period of the economic crisis (2008-2011) experienced a deterioration of the corruption rating; however, in 2011 it saw development in a positive direction.

### Corruption rating from Freedom House

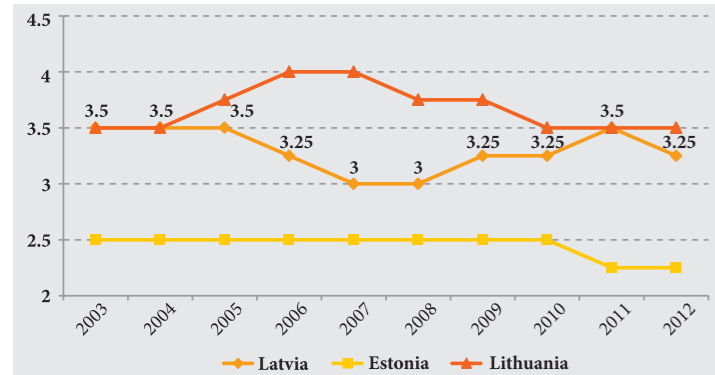


Figure 1. Distribution of Corruption in the Baltic states in 2003 – 2012 (Freedom House)

## Corruption perception index

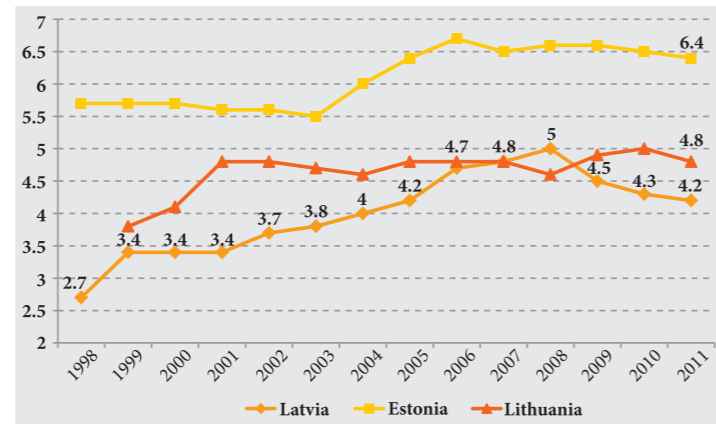


Figure 2. Corruption perception index dynamics in the Baltic States 1998 – 2011 (Transparency International)

Within the last three years, society's perception of the corruption level in the country has deteriorated. This level is measured on an annual basis by the international anti-corruption organization Transparency International that has been determining the Corruption Perception Index already for 17 years. Latvia was included in the corruption perception study in 1998 and for ten years following, society's intolerance of corruption increased; however, in a ten point system Latvia has only once reached a five point assessment with ratings lower than in Estonia and Lithuania\* (see Figure 2). At the top is New Zealand with 9.5 points, followed by Denmark and Finland with 9.4 points.

\*Lithuania was included in the index in 1999

## Corruption Prevention and Combating Bureau

Before the establishment of the Bureau some corruption prevention and combating functions were performed by various public institutions. To promote effectiveness and to avoid the duplication of efforts in different institutions the government in 2000 adopted the Concept on Corruption Prevention, thus supporting the creation of a new institution. Although the Law on the Corruption Prevention and Combating Bureau entered into force on May 1, 2002, October 10, 2002 is considered as the real beginning of KNAB activities when the Saeima appointed the first Director of the Bureau – Guntis Rutkis. Initially the Bureau was subordinate to the Ministry of Justice, but since April 2003 it has been supervised by the Cabinet of Ministers.

### KNAB functions

Since February 1, 2003 the Bureau executes the functions established by law to prevent and fight corruption, and to control the implementation of regulations on the financing of political organisations (parties) and their associations, and pre-election campaigning.

### Corruption Prevention

#### Prevention of public officials' conflicts of interest

KNAB controls the prevention of conflicts of interest in the activities of public officials and the observance of prohibitions and additional restrictions defined by regulatory acts for public officials. When violations of the law "On the Prevention of Conflicts of Interest in Activities of Public Officials" are detected, the Bureau holds the public officials administratively liable, adjudicates administrative cases, and applies the liability for violations, thus preventing corruption.

#### Raising public awareness and corruption prevention

To inform society about the harm caused by corruption and to engage society in anticorruption events, the Bureau informs society about developing corruption tendencies and cases of detected corruption, about the steps taken to prevent and fight corruption, develops and implements a public relations strategy to raise public awareness in the field of law and ethics, and performs research and analysis of public opinion.

Based on the evaluation of the spread of corruption, the Bureau developed a public strategy and a public programme of corruption prevention and combating. The functions of the Bureau also include providing recommendations for corruption prevention and combating to public and

municipal institutions and to the private sector. In order to prevent new laws from contributing to corruption the Bureau prepares necessary amendments to regulatory acts or prepares statements about the projects developed by other institutions.

### Control of financing of political parties

The Bureau controls implementation of the regulations regarding the financing of political organisations and their associations; and when determined by law guilty persons are held administratively or criminally liable. The Bureau summarizes and analyses the information from annual reports submitted by the parties, detects violations in their submission and reports information about non-compliance with restrictions established by law. At least once a year the Bureau informs society about detected violations regarding the financing of political organisations and their associations, as well as the steps taken to prevent them. Prior to the elections of the Saeima, the European Parliament and municipal elections, the Bureau controls observance of restrictions related to pre-election campaigning, and after elections it checks the election income and expense statements of the parties and within six months from submission informs the general public about detected violations of pre-election campaigning and measures taken to prevent them.

### Combating Corruption

In order to disclose corruption-related criminal offences as defined by the Criminal Law in the activities of public institutions as well as violations in financing of political organisations, the Bureau performs operational activities as determined by law, carries out prejudicial inquiries in criminal cases, and initiates to start criminal prosecution. Article 2 of the Law on Corruption Prevention and Combating Bureau stipulates that corruption is bribe taking or any other activity of public officials, when they use their official position, their authority or exceed their authority, in order to get undue advantage for themselves or others.

## Directors of KNAB

The Bureau is run by a Director appointed by the Saeima after a secret ballot, based on the recommendation of the Cabinet of Ministers; the Director has two Deputy Directors – one on corruption prevention matters, the other – on enforcement matters. Although the Director of the Bureau is appointed for five years, none of the Directors was for the whole term of office. Seven competitions for the post of KNAB Director were carried out in the first decade, during which time KNAB was run by four Directors.



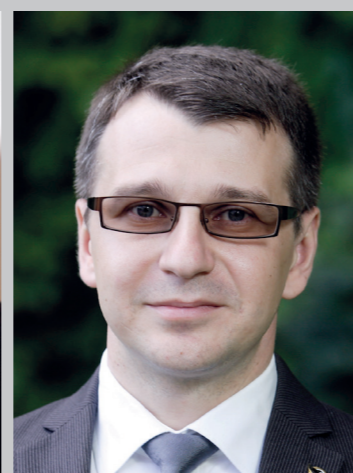
**Guntis Rutkis (1956–2012)**  
In office from 10 October 2002 to 30 May 2003



**Aleksejs Loskutovs**  
In office from 27 May 2004 until 29 June 2008

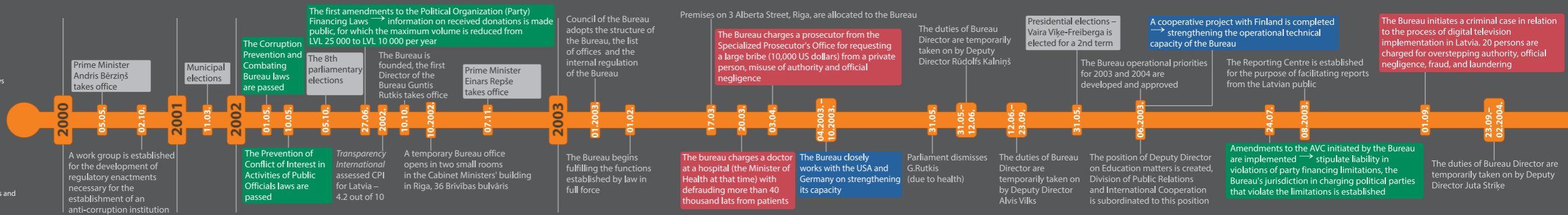


**Normunds Vilnītis**  
In office from 12 March 2009 to 16 June 2011



**Jaroslavs Strēļčenoks**  
Appointed on 17 November 2011

- external affairs
  - legislative changes
  - international cooperation
  - case highlights
- Abbreviations used:**  
 LCI – Prevention of Conflict of Interest in Activities of Public Officials Law  
 AVC – Administrative Violations Code  
 CM – Cabinet of Ministers  
 EU – European Union  
 OECD – Organization of Economic Cooperation and Development  
 GRECO – Group of States against Corruption  
 STI – Lithuanian Special Investigation Service  
 OLAF – European Anti-Fraud Office  
 CBA – Polish Central Anti-Corruption Bureau  
 USA – United States of America  
 CPL – Criminal Procedure Law  
 UN – United Nations  
 EC – European Commission  
 CPI – Corruption Perception Index (international assessment by experts and companies on the levels of corruption and changes thereof in state administration and the rest of the public sector)





## Combating Corruption

The public officials violations detected by the Bureau have proven that state's delegated power and available resources are being used for gaining personal benefit in cultural, educational and health care institutions as well as law enforcement and judicial institutions.

During ten years of operation the Bureau has forwarded to the prosecutor's office 194 criminal cases for criminal prosecution against a total 462 persons (see Figure 3). During the first four years of operation both the number of initiated cases and cases forwarded for criminal prosecution rapidly increased. Along with the Criminal Procedure Law taking effect on 1 October 2005, the need to verify data and facts through criminal procedures decreased as departmental examinations can be used for initial information assessment and identification of a possible criminal offence. From that moment on, the Bureau has been initiating criminal cases if indeed a criminal offence has taken place, devoting forces for the investigation of especially significant violations.

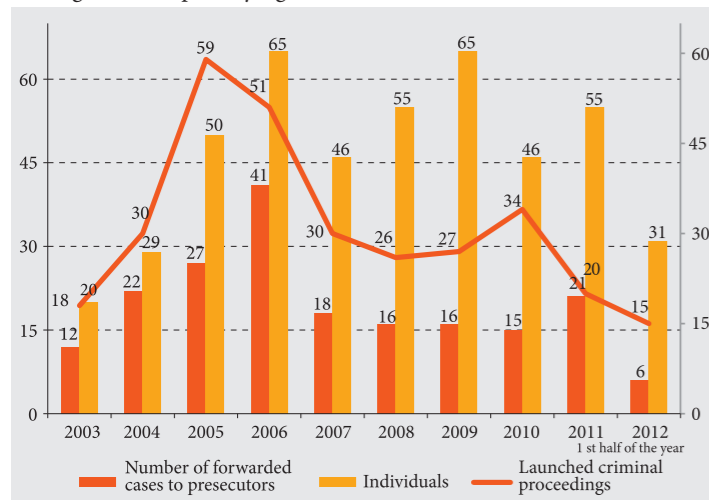


Figure 3. Number of cases forwarded for criminal prosecution against persons; initiated criminal cases (2003 – June 2012)

As a result of the Bureau's activities, 166 persons were found guilty of corruption and convicted. 113 criminal cases were investigated by the Bureau against 196 persons, out of which 88% were convicted (see Figure 4)

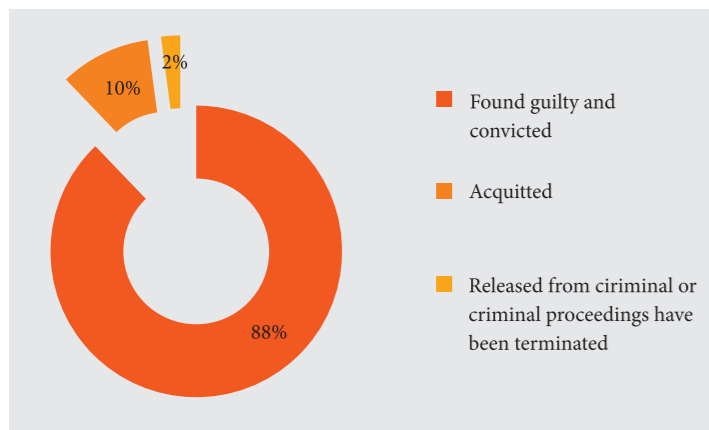


Figure 4. Effective judgments in relation to persons (2004 – 30 June 2012)

A trend is observed in combating corruption that the complexity of criminal cases is constantly growing – criminal offences become ever more complicated and more difficult to identify. If at the beginning of the Bureau's activities bribes were often extorted and demanded, then later corruptive activities became more covert and organized, ever more going beyond the borders of Latvia. Within recent years, the Bureau has had to take opportunities to cooperate with international criminal law institutions, considerably extending the process of investigation. Persons involved in corruption ever more seldom address law enforcement institutions as the links between the briber and the bribe taker have become more personal and trust-based, ad-hoc corruption has decreased. As a result of KNAB activities, persons involved in bribing are aware that they can be caught and held liable, and therefore bribe asking and extortion has decreased.

During investigations of official crimes by public officials the Bureau most often has proposed criminal prosecution for accepting bribes (Section 320 of the Criminal Law), and slightly less often for offering bribes (Section 323), although common crimes in public institutions are misuse of authority for person gain (Section 318), and involvement in bribery (Section 322). Also, within recent years ever more often persons involved in criminal cases are incriminated in the laundering of proceeds from crime (Section 195), unlawful participation in property transactions (Section 326), fraud (Section 177) and avoiding submission of declaration upon the notice of the state institution authorized to ask for submission of declaration, giving false information or not indicating the source of income in the declaration (Section 219).

Persons involved in bribery often cooperate with highly qualified law and finance specialists, whose knowledge is used for hiding the real sources of income, making fictitious agreements, and using the services of credit institutions both in the European Union (EU) member states and outside it.

Employees of the Bureau have taken part in investigations of cases investigated by other law enforcement institutions (Prosecutor-General's Office, the State Police Organized Crime Enforcement Department, etc.) as well as fulfilled procedural tasks in criminal cases. Their expertise and experience as investigators and operational agents of the Criminal Intelligence Division has been invaluable.

When obtaining evidence from abroad and organizing coordination meetings with foreign partner services, the Bureau cooperates with the Judicial Cooperation Unit Eurojust and the European Anti-Fraud Office (OLAF).

Over ten years the Bureau has initiated or taken over investigation from other institutions in more than 300 criminal cases. We share information on some of the cases investigated by the Bureau, each of which have been significant in various aspects – the largest, most interesting and exotic bribe, most severe punishment, most publicly shocking case, etc.

## Lienīte Šikore

Head of Investigation Division



Each criminal procedure that has been initiated by the Bureau and each criminal case sent to the institutions of the prosecutor's office for prosecution has been the result of hard work done by our investigators and operational agents, who have provided us with significant input over ten years in our fight for the rule of law, integrity, justice and altruism both in the work of governmental institutions and also in the private sector. The prosperity and future of our country depends on how successful we are able to avert and combat injustice in the governmental sector. However, the society plays a huge role here and should be more intolerant of any expression of corruption, should request more transparency from state administration, and a higher level of responsibility from the officials.

A decade of work has resulted in 113 adjudicated criminal cases that were initiated by the Bureau. 196 persons have been found guilty and sentenced in these cases, who, among others, also abused the power entrusted them by giving and taking bribes, misusing their authority, exceeding their jurisdictional limitations – the list goes on. It should be noted that currently 25 more cases initiated by the Bureau against 87 persons, which were transferred by the prosecutor's office in 2010, and are currently being reviewed, awaiting final judgment.

The ingenuity of criminals becomes richer and the crimes – more complex and harder to reveal. There is still much unseen and many unknowns, but I am definitely sure that as time passes, the things we do not understand now will be revealed to us and we will uncover that which is unknown!

We take pride in the achievements of our work both large and small, have been happy for the successes of our colleagues, and have been disappointed and deceived. However, through all this, the idea that honour is above all has not been forgotten!

Our job is the continued suppression of obstacles. We just have to make the decision to act. Solutions and possibilities reveal themselves only after choosing to overcome difficulties. In this fight for integrity and justice I wish both for the Bureau employees and the society as a whole to know the goal of one's journey. Where there is a goal, there is also the strength and energy to achieve!

## TOP 10 criminal cases investigated by the Bureau

### 1. The largest accepted amount of bribes – eight million euros

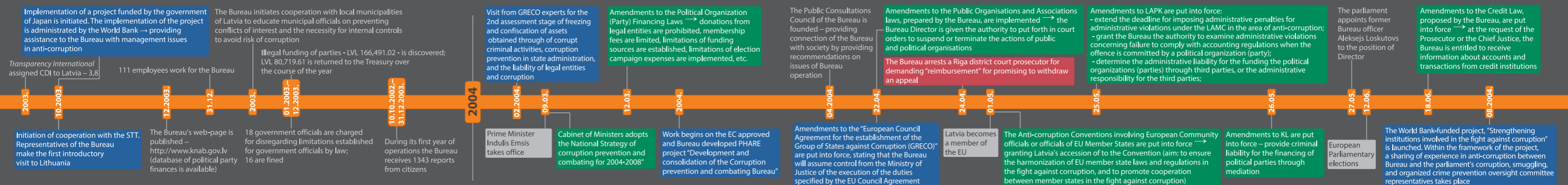
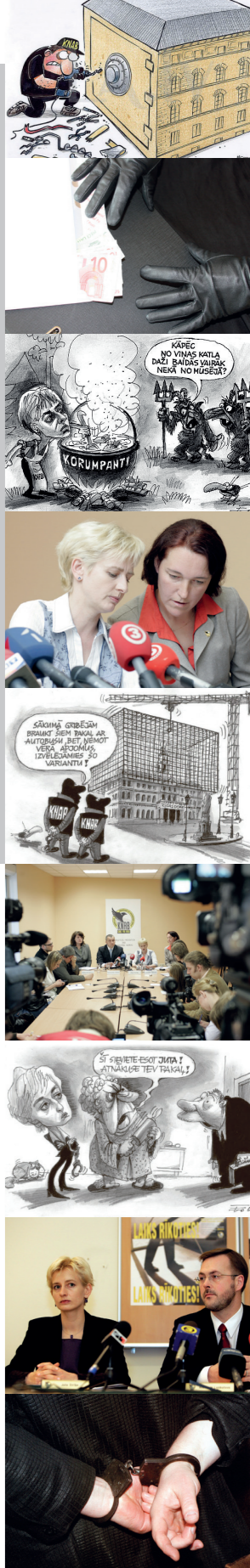
KNAB investigator asked to the Prosecutor's General Office to start criminal prosecution against 17 persons in relation to bribery of „Latvenergo” AS officials in Pļaviņas HES and TEC-2 reconstruction projects implemented by the „Latvenergo”. Evidences collected during pre-trial investigation show that „Latvenergo” AS officials by using official position with the purpose of acquiring property in a group of persons pursuant to prior agreement **accepted bribes of eight millions euros** in order to ensure that decisions concerning public procurements and reconstruction works for „Latvenergo” AS are taken in the interests of companies registered in Spain, Turkey and Sweden. Due to arrests of several persons involved in bribery made by KNAB in June 2010 another bribe of 10 million euros was not transferred.

In other criminal case in October 2008 the Bureau asked the Prosecutor General's Office to start the criminal prosecution against three officials of the Riga City Council (hereinafter – RCC) City development department and four private persons. Two officials of the RCC used the third official as an intermediary to request money – bribes from several realty

developers in exchange for approval of planned construction projects in Riga. In one of the incidents the officials requested a bribe of one million euros to change the status of one piece of real estate. In March 2011 the Riga District Court sentenced one of the RCC officials to eight years in prison and confiscation of assets, the second official to six years in prison and confiscation of assets, and three years in prison for the third official. The court did not sentence the businessperson who have gave part of requested **bribe of one million euros**, but imposed a penalty of 200 minimum monthly salaries or 40 000 lats. The court's judgment is currently in appeal.

### 2. Corruption in the courts

During its history of fighting against corruption in the courts the Bureau criminally prosecuted **four judges** in total (two Riga Vidzeme district judges and two Land Register Divisions judges for taking bribes) and four **public prosecutors**, who had extorted bribes on their own or through third parties in exchange for positive judgments in their own or other prosecutors' cases. In 2011 a Riga Vidzeme district judge was sentenced to three years in prison and partial





confiscation of assets for taking bribes. In August 2012 **two judges** were charged allegedly abusing of power with avaricious intent in relation with the employment of fictitious court employees and the use of funds transferred to the accounts of these persons.

### 3. The most severe sentence – eight years in prison

The most severe sentence ever of criminal cases reviewed by the Bureau was received by the director of an educational institution for systematic extortion of bribes (at least 15 incidents) from parents of students, which were hidden as money for repair works on school premises – **eight years imprisonment** and confiscation of assets, as well as an obligation to transfer funds gained through criminal action – 13,686 lats – to the state budget. The former director of the school has been missing since September 2009.

### 4. The most shocking case

In autumn of 2010 the Bureau sent a criminal case to the Prosecutor General's Office asking to indict seven persons in relation to public procurements made by the state SIA "Bērnu klīniskā universitātes slimnīca" (BKUS) for construction and three persons in other cases related to bribery. During the criminal procedure the Bureau established that allegedly crimes had taken place in several instances, including the shocking fact that the planned costs of the Parents' house construction were artificially inflated by 21 thousand lats; the funds for the construction were donated.

In the aforementioned case the largest sums of money ever – 700 000 lats in cash in various currencies – were removed during the search. On 30 June 2011 the Prosecutor General's Office charged eight persons with organized fraud from BKUS and the foundation "Bērnu slimnīcas fonds", but the incriminations were not revealed in more detail. The case is currently under review in court.

### 5. The first public case of political corruption

In 2005 the Bureau initiated criminal prosecution for bribery in the Jurmala city council chairperson elections, where a bribe of 20 thousand euros was given to a Jurmala city council deputy for the purpose of rigging the mayoral elections. Wiretap phone recordings caused major public outcry, as these revealed the dirty process involved with political decisions, and the case was nick-named Jūrmal-gate in the media. In 2007 the Zemgale regional court sentenced the former Jurmala city mayor and entrepreneur to five years in prison and confiscation of assets for bribery. In 2008 the Supreme Court Senate did not overturn the appealed sentence.

### 6. The largest number of individual perpetrations

During the criminal investigation of a sworn bailiff in the Kurzeme Regional Court, the Bureau identified **503 episodes of misappropriation of funds** and 162 episodes of **misuse of the authority**. Allegedly the bailiff misappropriated **almost 100 000 lats** from debtors received in the deposit account by transferring these to his own personal accounts. In 2012 the Prosecutor's office charged the bailiff with fraud.

### 7. The most widespread international corruption cases

In June 2010, the Bureau initiated a criminal procedure for the possible criminal activities of JSC "Latvenergo" officials in relation with the public procurement and reconstruction works in several projects, having previously agreed with the owner of a private company for the laundering of illegally acquired funds and other assets in large volumes. Companies registered in Latvia and other countries were used in the scheme to carry out deals with various companies' investments and real estate. During the investigation the Bureau cooperated with **14 countries**, and sent more than **34 mutual legal assistance requests**. In September 2012 KNAB asked the Prosecutor General's Office to start the criminal prosecution against 17 persons.

Reacting to the judgment published by the US State Department, the Bureau also initiated a criminal procedure in 2010 in relation to the possible bribery of Riga Municipality officials with the assistance of intermediaries by the officials of German car manufacturer Daimler AG subsidiary "EvoBus GmbH". The investigation is being carried out in cooperation with officials from the Stuttgart Prosecutor's Office of Germany and the Baden-Württemberg Police department, who carried out investigations of former employees of a "Mercedes Benz" factory's bus production department in relation to the bribery of foreign government officials. The Bureau has sent **20 mutual legal assistance requests to 12 countries** in the "Daimler" case.

### 8. The price of citizenship

In October 2005 the Bureau disclosed cases of bribery for the purpose of obtaining Latvian citizenship in the cities of Valmiera and Limbaži. An official of the Naturalization department and the Deputy Chief of a Riga Municipal Police Department used intermediaries to organize the handover of bribes (500 lats in one case, 1000 euro in another, and 1100 euro in a third case) to the responsible official for the purpose of providing illegal assistance during the verification of language skills and knowledge. In 2008, the Supreme Court sentenced four persons to imprisonment; two more had their sentences suspended. The court enforced various additional penalties.

### 9. The strangest bribe

In 2004 Bureau employees detained a businessman – the owner of a pharmaceutical retail company – for offering a bribe of 45 thousand lats. This businessman offered the bribe to a Bureau employee so that the employee would not carry out and organize the standard controls related to the operation of the company owned by this businessman. In addition to the bribe of 45 thousand lats, the businessman also offered **two kilos of dumplings**, and promised to pay a thousand lats each month to turn a blind eye to his company's operations. On 31 October 2006 the Riga City District court sentenced the businessman to two years' imprisonment; the appeal was unsuccessful.

### 10. The most exotic bribe

The head of the procurement commission under the Ministry of Health received journeys both for himself and his family to a skiing resort in Switzerland and in Maribel, France, Dubai in the United Arab Emirates, Grosotto in Italy, and Durban in South Africa. These were paid for by producers of various medications and medical equipment in exchange for approval of procurement decisions made by the institution. In 2010 a sentence of two years' imprisonment was suspended and the former official was put on probation for one year, and fined 60 minimum monthly salaries or 8900 lats.



## Juris Jurašs

Head of Criminal Intelligence Division

Ten years have passed. Ten years is not much for an institution, but when we take a look at the results of these ten years we can conclude that an impressive result has been achieved including the results in anticorruption.

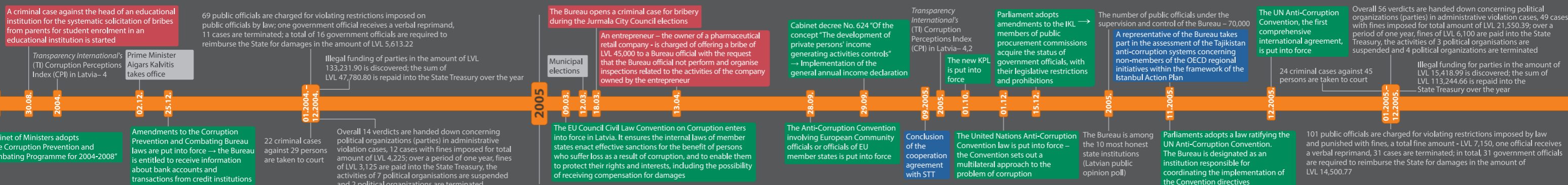
Since the establishment of the Bureau, a lot has changed in the country and mainly for the better. Moreover, many things in Latvia have changed thanks to the active operation of the Bureau.

Before establishment of the Bureau there were no institutions in the country that carried out a single anti-corruption strategy, and as a result measures for corruption prevention and combat were realized in a form of campaigns and in an uncoordinated manner. In the beginning, the Bureau had to deal with such forms of corruption and impudence and impunity of dishonest officials which are unthinkable today. In ten years with its active and successful operation the Bureau has demonstrated the necessity of its existence to the society and there are not many in Latvia who do not know of the Bureau and its achievements.

Working in the Bureau is not easy, though it can be acknowledged with pride that true Latvian patriots work in the Bureau and fulfil their duties with an acute sense of mission. So, with our tenth anniversary I would like to thank all those Bureau employees who have performed the duties entrusted them with the integrity and highest level of responsibility that has furthered achievements of the Bureau.

Likewise it is also very important to continue fostering the public's trust in Bureau. I would like to truly thank the honest and civically active members of the society that have provided and continue to provide priceless support in the achievement of the Bureau's goals, as without such support the Bureau would not be successful in its operations.

May we all keep the spark of motivation alive, and may we have enough endurance and courage!





## Control of public officials' activities

Controlling the implementation of the law on Prevention of Conflicts of Interest in the Activities of Public Officials and ensuring that public officials do not use their authority for their own personal or financial interests or the interests of their family members or business partners, the Bureau has made more than **1,300** decisions on administrative cases against **1,234** public officials. Over several years the Bureau has had to repeatedly check the legality of actions of **29** public officials, and even three times – for three public officials (see Figure 5). During the years of its operation the Bureau has made **770** decisions on the imposition of administrative fines to **750** public officials for the non-observance of restrictions and prohibitions established by law and for decision making in a situation of conflict of interest.

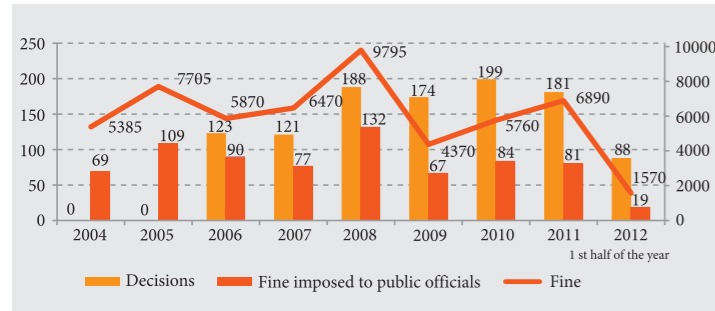


Figure 5. Decisions taken on administrative cases and fines imposed on public officials (LVL) (2004 – first half of 2012)

There are 18 elected officials – 12 municipal deputies and 6 members of the Saeima, 4 officials of municipal companies and 2 officials of state companies, 3 officials of educational institutions among the officials whose actions were repeatedly checked for their legality by the Bureau.

There is an unchanging trend that administrative violations in the field of corruption prevention are mostly committed by public officials in municipalities (members of municipal council, heads of municipal institutions, and officials of municipal companies) who also make up 64% of administratively punished officials (see Figure 6).

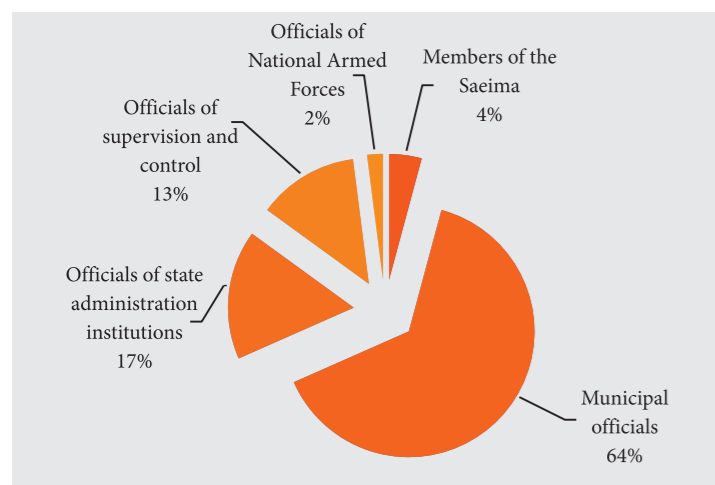


Figure 6. Administratively punished public officials

When assessing the severity of administrative infractions committed by officials, according to the law 33% of cases were found to be minor and the officials were verbally censured, in 44% of cases the infractions were found to be significant and the officials were fined from 50 to 75 lats (see Figure 7). In 5% of cases for severe infractions the officials were imposed more severe administrative punishments – from 150 to 250 lats.

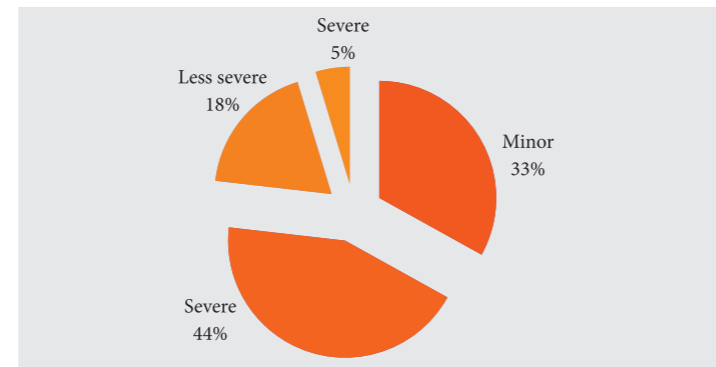


Figure 7. Severity of administrative infractions

According to the law the profit and financial benefits which are obtained in violation of the restrictions established by the law “On Prevention of Conflicts of Interest in Activities of Public Officials”, are under the jurisdiction of the state. Since the beginning of operations the Bureau has obliged 220 public officials to reimburse the losses incurred to the state for an overall amount of more than 350,644 lats in addition to administrative or criminal liability.

### The most typical situations of conflict of interest – decision making in respect to relatives

The law does not prohibit relatives from working in one institution, however it requires timely action by the officials in order to prevent situations of conflict of interest from arising during the execution of official duties. The Bureau often comes to the conclusion that government employees violate the prohibition to influence their own or their relatives' personal or financial interests – relatives are hired or employed to place orders for the needs of the institution or issue decrees to give bonuses or other benefits (business trips, use of a vehicle, mobile telephone limitations, profitable rental agreements, etc.). Despite the extensive education and explanation of regulations, sometimes officials are still unable to apply legal regulations in practice. In 2011 the director of an educational institution was held liable, as, although the execution of official duties with respect to her relatives – husband, both children and sister was transferred to another official, she still persisted in not observing the restrictions established by law – gave additional payments to her relatives – husband (teacher), one son (teacher and deputy director), another son (driver) and sister (caretaker).

In 2010 the Bureau uncovered a case where the chairperson of the board of a healthcare institution – a public limited liability company, carried out activities related to the performance of official duties in which his relative (sister) held personal and financial interest, namely, from March to December 2009 he signed 17 different procurement contracts or additional agreements to contracts with a company that partly belonged to his sister, as well as hired his relatives – sons, failing to inform senior public officials about the situation of a conflict of interest. The Bureau imposed a 200 lats fine on the official for this violation.

### Decision making under influence of personal and financial interests, violation of restrictions on commercial activities

Until 2010, when bonuses, additional payments to wages and cash bonuses were allowed in the state administration, payment of such benefits to themselves was a widespread infraction. In February 2005 KNAB asked to initiate criminal prosecution of the director of the Latvian Oncology Centre due to a violation of the restrictions established by the law for public officials, namely, for making single-handed decisions to assign additional payment to his salary amounting to 95,672 lats, thus incurring significant losses. When the judgement of conviction entered into effect, the Bureau brought a court action for the recovery of losses to the state budget for the amount of 38,338 lats.

In 2010 the director of an orphanage was held administratively liable, as he had repeatedly carried out activities related to a public official's duties in which he had a personal and financial interest – he had signed contracts with a company partly owned by himself, in which he took up a position, although combined positions were prohibited by the law. In these activities he was in a conflict of interest and he violated restrictions for commercial activities established for public officials – he was an owner of a company that received purchase orders from the respective public institution, which were not assigned in an open tender, and he failed to respect the prohibition to act as a representative of the institution in contacts with a limited liability company where he had an interest.

### Special restrictions on combining offices

Public officials are subject to various restrictions, more than other persons, and they are in the focus of special attention of the public, thus public officials must not engage in any activities that are not compatible with the proper execution of public duties, therefore the laws establish restrictions on combined positions for a number of officials.

The most typical infractions are related to cases when directors of institutions combined their position as a public official with a prohibited position in a private company, however, in most cases the Bureau considers such violations as minor, with certain exceptions. A significant violation in this regard was detected within a criminal case. A person had met with two officials of the State Revenue Service and asked them to transfer money – bring envelopes with 90,000 euros from Estonia to Latvia, suggesting a remuneration

amounting to 0.8% of the transported sum of money. The officials accepted this offer, disregarding imposed restrictions on combined positions, and fulfilled the contract and received the respective remuneration, thus gaining profits prohibited by the law “On Prevention of Conflicts of Interest in the Activities of Public Officials”, therefore they were imposed administrative fines by the Bureau.

### Restriction on gift acceptance

During the years of operation in many cases the Bureau has assessed if officials violated the established restrictions on accepting gifts. It should be taken into account that the statutory provisions regulating gift acceptance have changed over the last decade (see amendments to regulatory acts on page 18). Financial and other benefits accepted by officials have been different – cash bonuses, hotel fees paid by an interested company during a business trip, free use of a vehicle, gift cards in a restaurant, ski sets, etc.

Pursuant to the law “On Prevention of Conflicts of Interest in the Activities of Public Officials”, when off duty, public officials are allowed to accept gifts, observing the restrictions established by the law, namely, that it is forbidden for public officials to accept gifts if a public official has taken a decision related to the gift giver or executed other activities related to his official duties during two years before accepting the gift. In 2008 KNAB held the director of a department in a ministry administratively liable, as he had violated the restrictions established by the law and accepted free services related to the installation, adjustment and operational testing of an automatic gate opening system and the installation of a security system (including video monitoring cameras) from a private joint stock company in relation to which this public official made public procurement decisions.

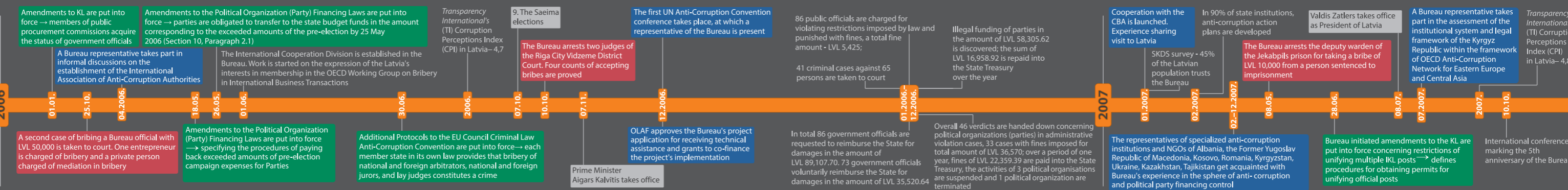
## The Bureau's Division of Control of Public Officials Activities

Although the work of the Bureau in monitoring the activities of public officials is not so publicly visible, its results impact every citizen of Latvia. During the 10 years of the Bureau's existence an official has been examined in nearly every Latvian municipality from Demene to Kolka, from Rucava to Valka promoting transparency and openness of the public administration as well as public accountability. Through our work we have motivated officials to become aware not only of their rights but obligations as well – to act only in the interests of society and the state, putting aside personal interests.

With the aim of facilitating honest and responsible activities of public officials and preventing damage to the state, the Bureau has carried out nearly four thousand checks, and has reviewed and passed judgements in more than 1,300 administrative violation matters. As a result of the Bureau's activities in cooperation with other institutions, illegally adopted laws have been cancelled, illegally formed agreements have been dissolved, extra tax charges made and fines calculated. We have contributed to educating activities of officials and have explained the legal provisions both in writing and at educating events organized by the Bureau, hence ensuring the prevention of violations by public officials.

In order to eliminate corruption, over the years we have worked also on improving the legal framework in the area of preventing conflicts of interest, misuse of public, state and municipal property, etc. For the purpose of more successful control of public officials' income sources, over the course of several years we have worked on the regulatory framework of the overall income declarations that finally took effect at the end of 2011. This year, amendments to the Conflict of Interest in Activities of Public Officials Law took effect that enables the public to be informed of violations by public officials, announcing names of public officials which ensures the openness and transparency of public officials as well as public accountability.

We are proud of our work and the results and will continue working for the benefit of our country's citizens!





# Control of funding of political organizations

## 2002 – KNAB is establishment along with the initiation of a new democratic tradition in Latvia

Although before the establishment of KNAB the Political Organization (Party) Financing Laws were already implemented, real supervision of the financing of political parties and its enhancement in line with the parliamentary democracy requirements was only started with the foundation of the Bureau and commencement of its operations in 2002. Within ten years it has gained recognition both in Latvia and other countries and international organizations.

In relation to the 8th parliamentary elections on 5 October 2002, the funds spent by political parties and their unions reached almost LVL 5 million (73% of them were spent by six political forces represented in the parliament). The first task of the Bureau in the financing control area of the parties was to secure the control of lawfulness and accuracy of the financial declarations and received contributions (donations) in 2002. A majority of contributors referred to unverifiable savings. Out of 100 requests sent to the State Revenue Service for the investigation of contributors' incomes – 79 cases (the overall volume of made donations is LVL 526,775) were found where the donations did not conform to the incomes of the contributors, and further investigations began. At the same time the Bureau established that the funds received by the parties in the amount of LVL 177,750 were donations made by legal entities with signs of suspicious business activities. Similarly, as a result of examinations by the Bureau in relation to financial declarations in 2002 it was identified that 117,900 lats were donated through third parties and using other persons' identities; 36,457 lats were donations which, contrary to the law, were received in cash; but 9,120 lats were donations from foreign organizations. In total, the Bureau established that in 2002, 24 parties had received illegal donations for the amount of LVL 278,155.

The year 2004 was very significant in the financing control of parties. Considering the established violations and having assessed financing provisions of the parties stipulated by the law the Bureau provided amendment proposals to several regulatory enactments.

## 2005/2006 municipal and parliamentary elections: the first test of the limitations introduced for campaign budgets – goals of the law and duration of legal proceedings

In 2005 the first elections took place following significant law amendments when donations of legal entities to parties were prohibited and campaign budget limitations were stipulated. Having completed the verification of municipal election declarations in 2005 it was discovered that several political parties had not complied with the law. The most significant violations: out of 52 parties that participated in the municipality elections, nine exceeded the campaign budget limitation in total by LVL 105,482.95; in 36 cases parties were held administratively liable, imposing fines in the amount of LVL 45,910.39. As a result of control of donations received during the municipal elections, six parties were obligated to return illegally received donations in the amount of LVL 33,824.94.

The year 2006 was the year of the 9th parliamentary elections when the parties received a lot of donations and made active pre-election campaigning – parties received donations of LVL 2.3 million – the largest volume since 2002. For the first time the parliamentary elections took place in Latvia taking into account the pre-election campaign budget ceiling (279,631.20 lats, running in all five electorate regions). Upon the completion of examinations of compliance with the law during the 2006 elections it was identified that five elected parties had exceeded the budget limitations by a total amount of 1,199,903.53 lats (one party exceeded the limit by 2.7 times, another by 1.5). Furthermore, in four cases direct links were found to exist between the pre-election campaigns of a specific party and campaigns organized by other private persons and legal entities and, as such, the costs of these campaigns were added to the pre-election budgets of the respective parties.

It was established that five parties had received unauthorized donations (contributions) in the total amount of 916,468.90 lats. Out of 19 parties and unions that took part in the election in 2006, seven parties were charged for violation of the regulations of parties, and were fined a total amount of LVL 12,650; two parties received a maximum administrative fine of 5,000 lats. As a result of the election declarations examination in 2006 it was concluded that 11 parties or their unions had not declared expenses related with election campaigns for the total amount of LVL 1,130,170.49.

In relation to violations of the financing regulations established within the period of the pre-election campaign, the Bureau obligated six parties to transfer to the state budget funds in the total amount of 1,584,452.84 lats, with 528,870.01 lats from the LPP/LC party, and from the People's Party (Tautas partija) – 1,027,366.67 lats (the People's Party was obligated to pay only a part – 235,856.17 lats of the volume of the exceeded pre-election expenses in the amount of 767,775.76 lats as the new law norm regarding repayment of illegally used funds took effect only in the middle of the pre-election campaign). The judgement passed in relation to the People's Party took effect more than three years after the Bureau's verdict. While in relation to the LPP/LC party the Administrative Regional Court judgment has been appealed at the Supreme Court.

## 2007/2008 between elections – a fall in parties' financial activities and further significant changes in the legal framework

Following the 9th parliamentary elections active work was continued on improving the legal framework both in the parties financing control area and in the supervision of pre-election campaigning. Already in November 2006 the Bureau prepared amendments on the Criminal Law (hereinafter – the CL) and Latvian Administrative Violations Code (hereinafter – LAVC), the aim of which was to differentiate and increase liability for violations of the regulations, and to provide framework for the administrative liability of contributors of the parties and the criminalization of activities related with illegal financing of the parties. LAVS amendments took effect on 21 January 2009, but amendments to the CL were adopted only shortly before the 11th parliamentary elections and took effect only in 2009.

## 2009/2010/2011 Three elections and three campaigns

After a two year break in 2009 an impressive increase of funds donated to parties was observed again. The volumes of the previous two years were exceeded by four times – in 2009 persons made contributions and donations to parties in the total amount of LVL 2.93 million, the highest

figure since 2002 when the 8th parliamentary elections took place and several significant limitations were not yet determined to the financing of parties. Similarly, compared to the previous year, in 2009 the number of contributions and donations to the parties was four times higher as well.

On 6 June 2009 the municipal and EU Parliamentary elections took place – a total LVL 3.87 million was spent by all political forces combined over a period of four months. 24 parties were held administratively liable for violations, with fines for a total amount of LVL 5,730. In several cases it was established that pre-election campaigning costs paid by persons could be added to the election campaign costs of respective parties. Having evaluated actual expenditure of the funds by the parties in the 2009 elections the Bureau established that only one party had exceeded the pre-election costs limitations established by the law – it was obligated to repay the exceeded allowed volume of pre-election costs by transferring 1,064.93 lats to the state budget. At the same time it was revealed that within the period of the pre-election campaigning five parties had accepted unauthorized donations for a total amount of LVL 48,196.21.

Taking into account the planned parliamentary elections, in 2010 the volume of funds contributed to the parties continued increasing – the largest volume since 2002 had been achieved again – LVL 3.68 million. On 2 October 2010 the 10th parliamentary elections took place, at which 13 parties and their unions spent a grand total of LVL 3.6 million (93% of which was spent by five political forces elected to parliament). The Bureau established that costs for the total amount of LVL 102,732 were not mentioned in the election declarations. In 22 cases the parties were held administratively liable for these violations and fines were imposed on them for a total amount of 5,400 lats. Soon after the elections the Bureau concluded that one party union had exceeded the allowed pre-election costs volume by 31,157.36, another person not associated to a party – by 9,939.76 lats. Also, three parties had accepted unauthorized donations from legal entities in the amount of 50,067.81 for placement of advertising on television, radio, internet and newspapers.

On 17 September 2011 the 11th parliamentary elections took place, and during an almost two times shorter period than before the 10th elections, 13 parties and their unions had spent LVL 1.91 million for pre-elections (77% of which was spent by five political forces elected to parliament). In

13 cases parties were held liable for violations and were fined a total of LVL 2,915. Ten political parties and their unions had not mentioned in their declarations funds amounting to LVL 52,210.91, as well as costs paid by private persons and legal entities in the amount of LVL 12,672. Two parties were fined for accepting unauthorized contributions (donations) from legal entities in the amount of LVL 5,379.00.

Since the head of the Bureau had been granted the right by law to suspend pre-election campaigning, before the 11th elections for the first time a decision was made to ban one person not related to a party to realize further campaigning as it was established that they had realized campaigning in the amount exceeding the cost volume stipulated by the law – 3,000 lats for advertising. However, having assessed the election campaigns over the last three years, it must be concluded that since the 2006 elections the parties have not allowed such gross violations of regulatory enactments.

**Within ten years of its activities the Bureau has assessed the lawfulness of funds donated to the parties in the total amount of LVL 22,792,199.01 which 9,900 persons have donated to the Latvian parties in the period from the beginning of 2002 to 20 June 2012.**



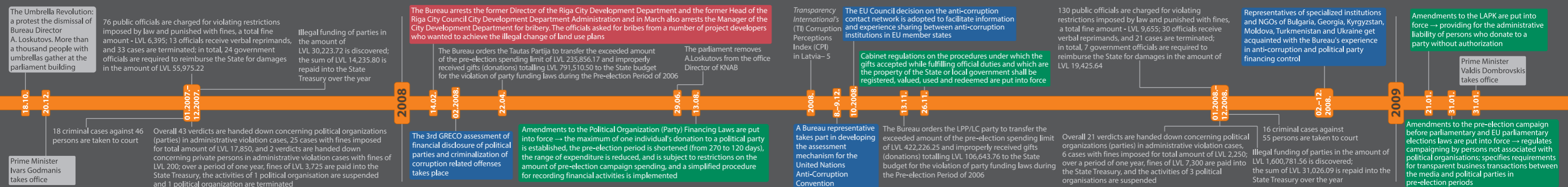
## Inga Soloveja

Head of the Control of Political Parties Financing Division

When, ten years ago, control of party financing was taken over from the State Revenue Service, a gradual transition from formal to efficient supervision in the area took place. Within ten years significant changes have been introduced to improve of the area: a ban introduced to legal entities to donate to the parties, an overall allowed financing volume was determined, as well as a membership fee limit and public announcement of the membership fees of parties introduced, a maximum allowed volume of pre-election expenses determined, regulation of third parties' campaigning established as well as pre-election campaign regulation improved, criminal liability stipulated for illegal financing of parties and state budget financing to the parties introduced – the list goes on. What is important is that every legal initiative was based on experience gained by the Bureau and staff expertise.

The current experience in the field of party financing shows that quite often the Political Organization (Party) Financing Laws are violated in large volumes, which endangers the democratic system in the country. For example, some of the most significant verdicts in relation to the violations established before the parliamentary elections: in 2003 the Bureau obligated the Union of Greens and Farmers to repay to the state budget LVL 55,950; in 2008 the political party LPP/LC was obligated to repay LVL 528,870 and the People's Party – LVL 1,027,367. Within ten years the Bureau passed 129 judgements of repayment to the state budget of funds illegally received by parties in the amount of LVL 2.12 million. The Bureau makes all these decisions in the interests of the public, and with every judgement passed by the Bureau, the financial activities of the parties become more transparent, open and compliant.

Another one of the most positive signs of the financing of Latvian parties is the public announcement of financial activities of parties that has also been recognised by many foreign experts. In conclusion I would like to say that every achievement was possible only with the professional and dedicated work of the Division of Control of Political Parties Financing of the Bureau. Thank you for this persistent work spirit!









In order to promote the submission of information by persons aware of conflicts of interest in the activities of officials in state institutions, in 2009 the Bureau elaborated amendments to the Law of Conflicts of Interest, forbidding directors of institutions from disclosing information about the employee who provided information about a violation or cause any negative consequences to this employee without a valid reason. The Bureau also elaborated amendments to the Latvian Code of Administrative Offences establishing administrative liability for directors of institutions in the case of noncompliance with the aforesaid prohibition. Respective amendments to the Law of Conflicts of Interest came into effect in 1 June 2011, amendments to the Latvian Code of Administrative Offences – on 20 July 2011.

In 2009 the Bureau prepared a draft amendment to the Law of Conflicts of Interest in order to improve implementation of anticorruption measures in state administrative agencies and to improve directors' ability to prevent corruption. During the legislative process it was stipulated in the law that directors of public or municipal institutions have the right to ask a public official to submit information which should be indicated in the not to be published part of the declaration, in order to avoid the potential for a conflict of interest. The amendments entered into effect on 1 June 2011.

The amendments to the Law of Conflicts of Interest, dated 28 April 2011, which came into effect on 1 June, changed the procedure for recovery of incurred losses by public officials. The new regulation stipulates the demand for recovery of losses according to the Administrative Procedure Law, not the Civil Procedure Law, as it used to be.

#### Internal control consolidation in institutions

The improvement of internal control systems in the field of anticorruption is one of the most effective ways to reduce corruption risks in public and municipal institutions; however, there are often situations when the representatives of public institutions mention the internal control system in the institution, but only some of its basic elements are actually implemented. On 7 February 2012 the Cabinet of Ministers approved the Concept on decreasing the risk of corruption in state and municipal institutions developed by a working group under the direction of the Bureau and the suggested third option requiring institutions to implement

a specified standard of minimum corruption control measures and to prioritize other corruption control measures, taking into consideration the specific type of work being done, ideas of the affected staff, and the institutions experience with corruption control measures.

#### Improvement of individuals' income provision control

In June 2005 the Bureau submitted for consideration by the Cabinet of Ministers a concept on general income declaration. The objective of the solutions as outlined in the concept was to prevent dishonest persons from fraudulent non-payment of taxes, cheating the state, using legal loopholes to legalise unlawfully obtained financial resources, including unlawful benefits obtained as a result of corruption. The law on the declaration of an individuals' financial situation and undeclared income or so-called "zero declaration" was only adopted after 6 years and entered into effect on 15 December 2011.

#### Criminal liability for the acceptance of undue advantage

Amendments to the Criminal Law pushed by the Bureau finally came into effect on 23 December 2009 after several years of intense work; they eliminated significant weaknesses in the law prohibiting bribery in public and municipal institutions; now they stipulate criminal liability not only for asking for undue advantage, but also for accepting them in cases when they had not been requested. Since late 2009, anyone can be charged, including doctors, who accept small payments or other material benefits, for doing or not doing something in favour of the benefit giver.

#### Procedure for state and municipal rental agreements

In 2005 the Bureau proposed a procedure for state and municipal rental agreements which suggested establishing clear principles for the procedure of rental agreements, thus restricting the opportunity for public officials to act dishonestly. The finalisation and promotion of the draft law was entrusted to the Ministry of Finance, and the Regulation of the Cabinet of Ministers No.515 "Regulations on procedure of state and municipal rental agreements, methods to determine rental fees and standard terms and conditions of rental agreement" came into effect on 8 June 2010. They were adopted with extensive exceptions, which still gives reasons to be concerned about the squandering of state and local government assets. Valsts un pašvaldības autotransporta izmantošana

#### Use of public and municipal vehicles

In 2010 the Bureau prepared and submitted proposals regarding the procedure for use of state and municipal vehicles, and respective amendments to the Law "On Prevention of Squandering of Resources and Property of State and Local Governments" came into effect on 1 October 2010.

#### Disclosing lobbying activities

In order to contribute to making lobbying transparent and provide equal opportunities to influence decision making to all persons, in 2005 the Bureau initiated a discussion about legal lobbying and its separation from criminally punishable activities, and in 2007 the Bureau elaborated a concept on the necessity for the regulation of legal lobbying in Latvia. In 2009, at the initiative of the Bureau, many institutions adopted or amended their code of ethics regulating the transparency of information about lobbying activities, and the most significant amendments to the Law "On Municipalities" stipulate public access to draft projects. At the same time the Bureau also developed amendments to the prohibited trading into influence regulation in Criminal Law that came into effect on 23 December 2009. In 2012 the Bureau prepared a draft law on disclosing lobbying activities that was proclaimed at the meeting of state secretaries on 14 June 2012. Each institution will publish information about communications with lobbying persons on their web-site, the law will foster the participation of different public groups in decision making and ensure equal opportunities to all concerned parties to take part in lobbying, at the same time reducing the advantages of some economically stronger lobbying groups to achieve adoption of favourable decisions in state and municipal institutions.

#### Coordination of anticorruption policy

The Bureau has prepared several short-term development planning documents in the field of anticorruption – National strategy for corruption prevention and combating for 2004 – 2008 and guidelines for 2009 – 2013, and for the implementation of guidelines – two Corruption prevention and combating programmes – for 2004 – 2008 and 2009 – 2013, which stipulate the direction of the main thrust, the main tasks, and the results to be achieved in the development of corruption prevention and combating during the specified period of time.

#### Application of international legal regulation in Latvia

During the past decade the Bureau has prepared a range of legal acts and regulations, so that Latvia could accede to international treaties and implement their provisions, e.g., the draft laws "On Convention on fighting corruption involving officials of the European Union or officials of member –states of the European Union" (came into effect on 28.09.2005), "On Civil Law Convention on Corruption of the European Council" (came into effect on 09.03.2005), "On Supplementary Protocol of Criminal Law Convention on Corruption of the European Council" (came into effect on 30.06.2006) and "On the United Nations Convention of Against Corruption" (came into effect on 01.12.2005).

During the meeting of 30 June 2009 the Cabinet of Ministers considered the informative report "On European Union Council Decision 2008/852/JHA of 24 October 2008 on a contact-point network against corruption" prepared by KNAB and assigned the Corruption Prevention and Combating Bureau as the Latvian participant in the EU contact-point network against corruption. The tasks of the contact-point network is to promote the exchange of information about effective measures and experiences in preventing and combating corruption, and to establish and maintain contacts with the institutions and agencies of the EU member-states whose mission is to prevent and fight corruption. The Regulations of the Cabinet of Ministers prepared by the Bureau came into effect on 4 October 2011; they stipulate accession of Latvia to the Treaty creating the International Anticorruption Academy as an international organisation, thus giving a legal basis for Latvian participation in the events held by the Academy.



## Ilze Draveniece

Head of Legal and Personel Management Division

First ten years is long enough period of time to evaluate the results and methods of achieving these results. First personnel, directors, tremors, evaluations, results. Awareness of the objective and responsibility has contributed to the establishment of the Bureau we know today. I am also sharing responsibility for this decade.

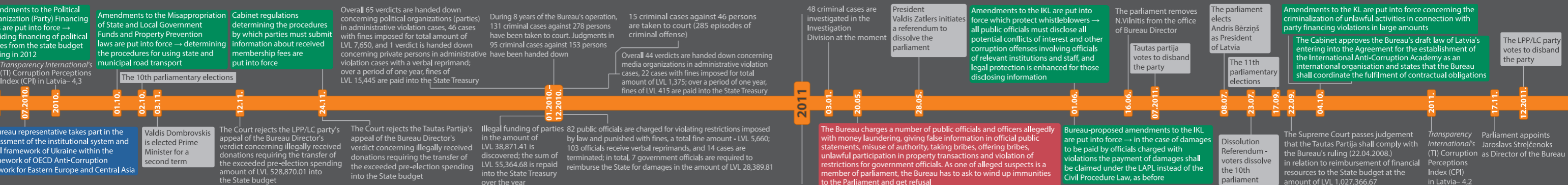
Changes of directors, leave of professionals from the Bureau have been substantial turning-points in the work of the Bureau. However, no one was left indifferent by the fact that there is a person among the colleagues for whom „dignity above power” is just mere words.

During these ten years significant contribution was made by individuals who consider the job at the Bureau more than a daily routine. Results of the Bureau during ten years can be best characterized by others, it is not a process of self-evaluation. Attitude of the society, various views of different persons about us, reproof, harsh words, recognition and support.

Recalling the time we have worked at the Bureau each of us can come to at least two conclusions. First of all, memories of at least one very difficult period of time which made reconsidering whether to continue work at the

Bureau. Secondly, it is a work filled with the content and based on persistence.

On the occasion of the birthday I would like to thank all the colleagues about the contribution, unselfish work, for feeling no disgrace in crucial moments for the Bureau. Taking this opportunity I would also like to wish everybody more endurance, more resoluteness, to be more united and to justify the efforts so than when leaving you are sure that working at the Bureau was not in vain.





# International cooperation

## From the recipient of assistance to its provider

The goal of international cooperation of the Corruption Prevention and Combating Bureau is to strengthen its ability for efficient prevention and combating of corruption and to guarantee the fulfilment of Latvia's international commitments in the field of anticorruption.

In 2002 KNAB international cooperation was focused on acquiring the necessary experience and resources. One of the main KNAB objectives at that time was to ensure the foreign experience and practice required for its activities and the development of cooperation with partner services abroad. KNAB implemented several projects funded by international organizations and foreign countries, with the help of which both technical assistance and, through mediation of experts, experience from other countries were gained in the field of prevention of corruption, enforcement of anti corruption legislation and control of political parties funding.

In order to enable the exchange of experience and develop cooperation in the field of anticorruption, KNAB made a bilateral cooperation agreement with the Lithuanian Special Investigation Service and National Corruption Prevention Agency of the Kyrgyz Republic. In addition, KNAB closely cooperates with colleagues from the Estonian Security Police, Poland's Central Anticorruption Bureau, the Austrian Federal Bureau of Anticorruption, the UK Serious Organized Crime Agency, etc.

By working intensively, KNAB has gained the kind of essential experience in anticorruption that is recognized and demanded globally. This is acknowledged by multiple visits from other countries' representatives to KNAB with the aim to gain Latvian experience in anticorruption, and also by the active role of KNAB in various anticorruption events and initiatives organized both by international organizations and foreign countries as well as in discussions and solving problems in relation to anticorruption matters.

## Implementing Commitments

Latvia has joined all the most significant international anticorruption agreements and initiatives and takes an active role in their implementation and international assessment.

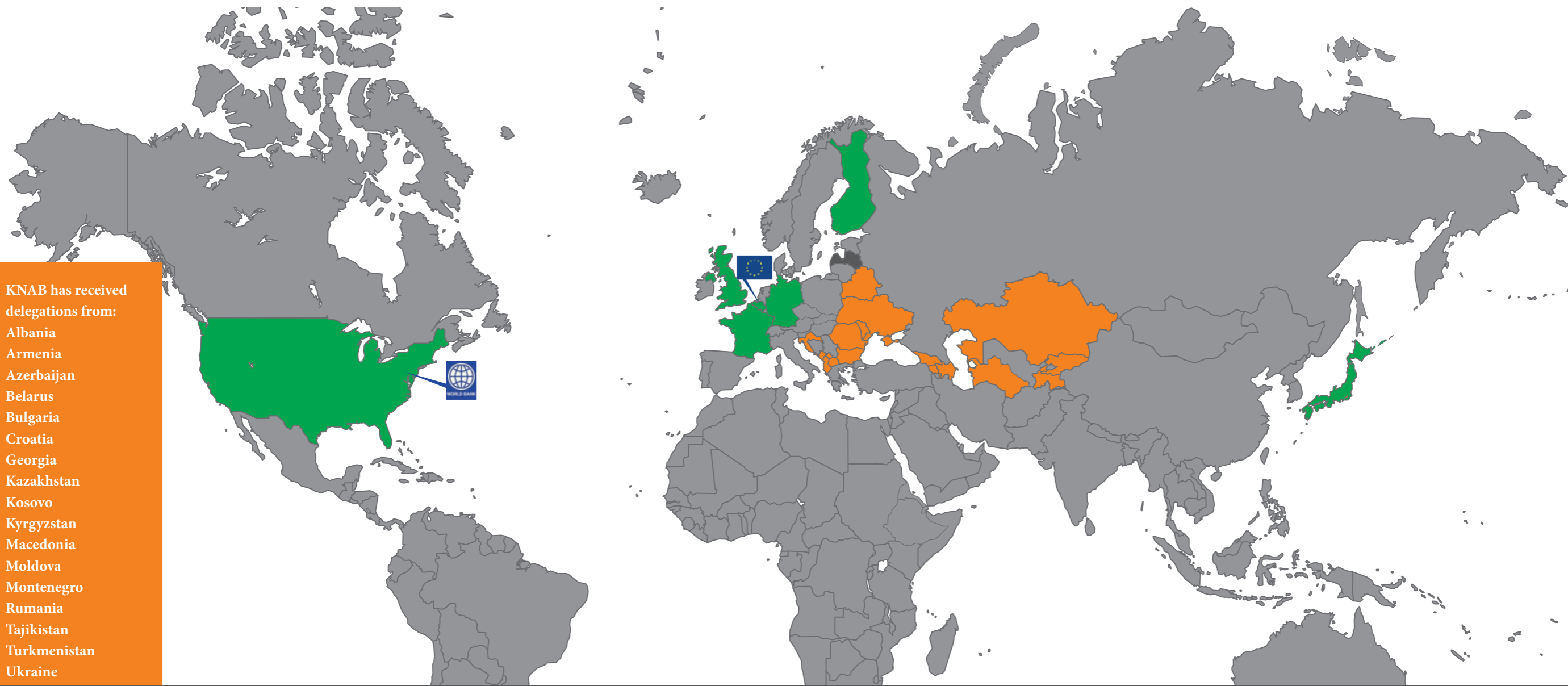
### Latvia has joined:

- The United Nations Convention against Corruption
- The Convention against corruption involving European officials or officials of Member States of the European Union
- The European Council of Criminal Law Convention on Corruption, its Additional Protocol
- The European Council of Civil Law Convention on Corruption

### Latvia is a member state of:

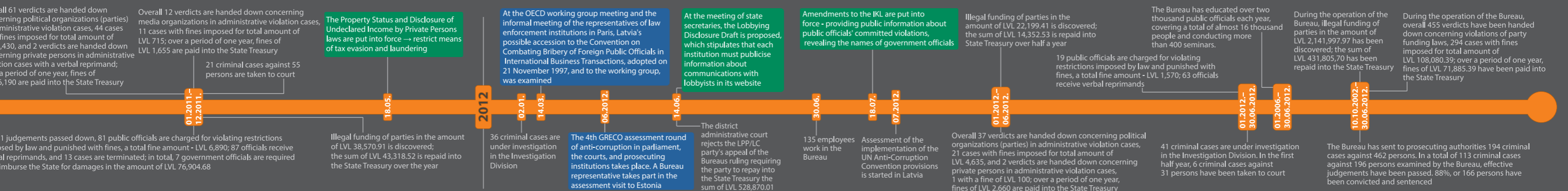
- The European Council of Group of States against Corruption (GRECO)
- The EU Anti-Corruption Network
- The International Anti-Corruption Academy

**KNAB has received assistance from:**  
 The European Union (PHARE, OLAF Hercule program, Eurojust)  
 The World Bank  
 USA  
 Finland  
 France  
 Germany  
 Great Britain  
 Japan



### KNAB has received delegations from:

- Albania
- Armenia
- Azerbaijan
- Belarus
- Bulgaria
- Croatia
- Georgia
- Kazakhstan
- Kosovo
- Kyrgyzstan
- Macedonia
- Moldova
- Montenegro
- Rumania
- Tajikistan
- Turkmenistan
- Ukraine





## Raising public awareness and informing society

To stop the spread of corruption KNAB raises public awareness and informs both society and public officials on a regular basis. Striving for the successful implementation of the Latvia's anticorruption policy, the Bureau develops guidance materials and commissions public opinion polls, organises and holds educational workshops, engages society in anticorruption events, informs about detected violations and infractions which have an important role in corruption prevention, the way to warn people about liability for unlawful activities, thus decreasing the possibility of breaking the law due to ignorance.

### Events aimed at raising awareness of officials and general public

Over the last six years the Bureau has educated more than two thousand public officials a year, over the years for a total of almost 16 thousand people, and held more than four hundred workshops. Educating society about corruption and its negative consequences, the Bureau aims at ensuring understanding of this phenomenon, raising legal awareness of the population and encouraging intolerance towards corruption in the society.

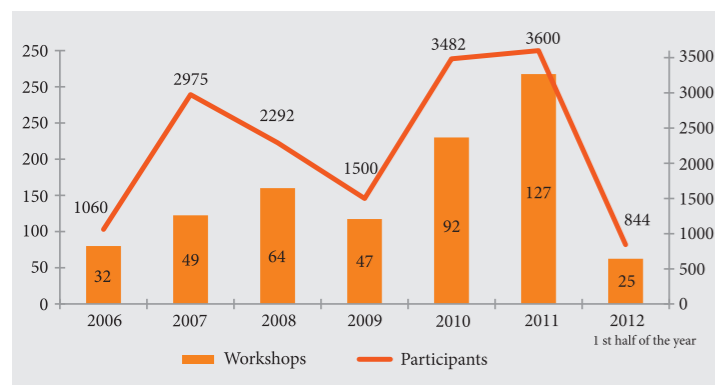


Figure 8. Instructional events and number of participants (2006 – 1st half of 2012)

In order to decrease the number of administrative violations committed by officials, in 2004 the Bureau initiated the education of employees of public and municipal institutions, explaining during workshops the meaning and aspects of corruption and drawing participants' attention to the steps necessary and actions required to prevent situations of conflicts of interest. During the lectures the Bureau specialists explain regulatory acts on restrictions and prohibitions in place for public officials, offering examples, and jointly analysing situations. During the workshops the Bureau specialists pay special attention to the issue of ethics in public government, as a public official who always tries to act honestly would not need external supervision and such a person would not get involved in illegal activities, even in a situation with a high risk of corruption. In 2007 the Bureau started collaborating with Latvian universities, informing and educating students about the spread of corruption, its types and legal aspects for its limitation.

Since 2008 the Bureau prepares an informative publication in electronic format several times a year. It mainly informs public officials about actual issues in the field of corruption combating, informs about possibilities to prevent conflicts of interest, and helps solve specific issues. Public discussions on actual issues of corruption combating and information workshops aimed at explaining amendments to regulatory acts are also held several times a year.

### Social campaigns

In the winter of 2007 the Bureau organised a social campaign with the slogan **“Corruption is the prostitution of power”**, during which a video clip was broadcasted on TV and radio, advertising and banners were published

in the media, and a web site [www.pretkorupcija.lv](http://www.pretkorupcija.lv) was used to show the reality of corruption – the buying and selling of power for selfish reasons. The aim of the campaign was to promote a negative attitude of the citizens to the immoral nature of corruption, associating it with prostitution which is widely condemned by the public. The greatest success of the campaign was the fact that it initiated debates in the media and in society which were even reflected in the cartoons published in newspapers.

### International anticorruption Day

The Bureau has established a tradition to celebrate the United Nations Organisation (UN) International Anticorruption Day in December, thus drawing society's attention to the fight against corruption. International Anticorruption Day was first celebrated on 9 December 2004 on the first anniversary of the opening of the UN Convention Against Corruption. In honour of 9 December the Bureau for the first two years organised press conferences in order to inform the public about the results of the work of the Bureau, but for the last six years the celebration of anticorruption day has become more ambitious – the Bureau has organised contests for young people and open-house days:

- **2006** – a contest of posters and cartoons for children and young people **“Hard consequences of easy money...”**. In the contest young people used creative means to express their attitude towards conflicts of interest, bribing, and abusing official positions;
- **2007** – a public discussion about the restrictions on gifts for public officials **“Your NO counts”**;
- **2008** – a contest entitled **“A guide to the honest performance of duties in public administration”**. The contest participants took part in a lesson at “Anticorruption School” and prepared an appeal to public officials asking that they observe integrity principle and perform their duties in a conscientious manner;
- **2009** – a contest of postcard sketches **“Send a greeting to an official!”**. The best work – “Life-cycle of a Corrupt Individual”, was published as a postcard which symbolically shows a person's life in three stages – when he is not yet corrupt, when he is corrupted and when he is caught in the act;
- **2010** – **open-house day**. Everyone had the opportunity to meet the employees of the Bureau and find out more about specific aspects of KNAB activities in the field of the investigation of infractions and prosecution of public officials;
- **2011** – a **video contest for young people** in cooperation with the U.S. Embassy and American Chamber of Commerce in Latvia, promoting young people's understanding of the consequences of corruption and urging them to take an active part in combating it. A video made by a high-school student won the first prize; the video showed two aspects of municipal development – damaged if officials accepted bribes and growth if they did not accept illegal benefits.

### Public consultative council

Recognizing the necessity of ensuring the participation of representatives of the public in the formation of a national corruption prevention policy, the Bureau established a public consultative council in April 2004. 16 non-governmental organisations (NGOs) are participating in it at the moment; this participation plays a significant role in solving actual corruption-related issues. Not only do the suggestions and recommendations elaborated by NGO representatives maintain a direct link to the public, they also reinforce the work of the Bureau. The Consultative Council has provided considerable support to the activities of the Bureau, e.g., by elaborating recommendations for preventing the risk of corruption in the field of healthcare, for the consolidation of the judicial system, by discussing legislative drafts initiated by the Bureau, and by publicly opposing the amendments to the Law on Safety Agencies in 2007 which threatened the independence of the institutions.

### Public opinion polls

In order to be able to implement and prioritize its activities, as well as to measure the results of anticorruption policy, it is important to study the spread of corruption and changes in the public's attitude towards corruption. So far the Bureau has had the resources necessary for five sociological surveys:

- **2005** – **population survey “Experiences dealing with corruption”**. The conclusions of the survey showed that more than ¾ of the respondents have not used informal methods while arranging the formalities related to the issue of passports, tax administration, submission of declarations, audits, car registration or motor vehicle inspection, when dealing with municipalities, in case of contacts with the State Police, and enrolling children in school, kindergarten or entering a university;
- **2006** – **“Public officials’ knowledge and understanding of the issues related to corruption prevention and combating”**, explaining for the first time the level of education of public officials and their attitude towards anticorruption issues. Although none of respondents gave correct answers to all of the questions on the test, the results show that people working in the legal system and high-ranking officials have the best knowledge of regulatory acts in the field of corruption prevention;
- **2007** – **“Citizens’ attitude towards the Corruption Prevention and Combating Bureau”**, during which citizens were asked to characterise to what extent they trust the Bureau and to explain their position – why they trust or do not trust it. The respondents of the survey were also asked to assess the work of the Bureau during the previous year;
- **2007** – a comprehensive sociological survey of the population on the spread of corruption in Latvia **“Attitude of citizens towards corruption”** which contained questions about the opinion of people regarding the honesty of various institutions and their experience in contacts with these institutions, e.g., in order to find out whether any informal payments or transactions were required when arranging formalities in institutions;
- **2011** – **Sociological survey of Latvian businessmen** was carried out for the first time. This survey reflected the opinions of businessmen regarding the spread of corruption in the business environment and their experience in dealing with issues in different public and municipal institutions and their contact with corruption issues. The conclusions of the survey showed that the spread of low-level or

administrative corruption has decreased and can be considered to be almost non-existent in some areas.

### Resource materials

In order to ensure the necessary level of knowledge and provide recommendations on how to decrease the risk of corruption in institutions, one of the tasks of KNAB is to prepare educational materials and provide suggestions to public and municipal institutions. So far the Bureau has annually published booklets and guidebooks and elaborated guidelines dedicated to particular topics and recommendations on how to decrease the risk of corruption in public and municipal institutions. Publications in Latvian can be found at the Bureau web-site in the Section Education.



## Diāna Kurpniece

Head of Corruption Prevention Division

„Ask any passer-by in the street what behaviour he considers to be unethical – everyone will precisely define types of unacceptable behaviour, however, when this person takes up a position of power, oh well, self-control disappears, and he finds dozens of excuses for the behaviour he used to condemn”. This quote from Jolanta Petkevičienė, the former head of the Ethics Commission of the Lithuanian Parliament, also complies with the situation in Latvia – laws are not difficult to write, but they are much harder to follow. And it is even harder to be an example for others. The successful eradication of corruption is actually the path to a better work organisation – honesty, integrity, and the struggle against the petty thief in yourself and your colleagues.

The victory in this struggle is not and cannot be only the achievement of KNAB – after a decade we can clearly see the heads of some institutions and their advisors in the state administration who have set strict ethical boundaries for themselves and their employees, thus achieving the situation when almost 90% of businessmen say about the institutions they deal with – “You can't imagine corruption there”. However... there are still a lot of directors who isolate themselves from the opinion of the public and their own subordinates. The data shows that employees rank ethical employment relations in the state administration very highly – as the sixth most important item out of 22, but for directors it ranks 22nd out of 27.<sup>2</sup> This is the future task of KNAB – to make a legal and ethical state a goal for high-ranking public officials.

The Corruption Prevention Division has been able to personally tell thousands of Latvian officials about matters of ethics and good government, provide hundreds of recommendations on how to decrease the risk of corruption, be the “voice” of KNAB in communication with media, society, international organisations and foreign embassies. One of the greatest achievements is the fact that the opinion of KNAB is truly respected and many institutions ask us to deliver non-compulsory anticorruption trainings on their own initiative, ask for explanations and advice, but we should not forget that the counselling institution must become a model itself.

<sup>2</sup> Data from K. Vintiša's thesis “Efficiency of employees' performance management system and opportunity for its improvement in state administration”



## Efficiency assessment of corruption prevention

A significant example of the efficiency of the corruption prevention policy implemented by the Bureau is society's intolerance of corruption as its eradication is not possible without the involvement of the society. According to sociological survey data the society's tolerance towards corruption has decreased significantly during the last ten years; if in 2000 54% of respondents were ready to give a bribe in order to get a positive outcome, then in 2009 the number of such persons has decreased to 32%. During this period the polarization of the opinion on the issue of readiness to offer a bribe to a state official has taken place: the number of definite "No" and "Yes" answers has significantly increased (accordingly by 14.1% and 3.7%). Clearly, the number of explicit responses "No" (to corruption) has increased much more rapidly in response to the question "Would you personally be ready to give a bribe to a state official if it was for your or your relatives' benefit and the problem would be solved?" (see Figure 9). The readiness to give a bribe in 2009 most often – by more than 40% – was expressed by respondents aged 18-34. Compared to 2007, residents surveyed in 2009 older than 34 much more rarely gave an answer about their readiness to give a bribe.

### Would you personally be ready to give a bribe to a public official if it was for your or your relatives' benefit and a problem hence would be solved?

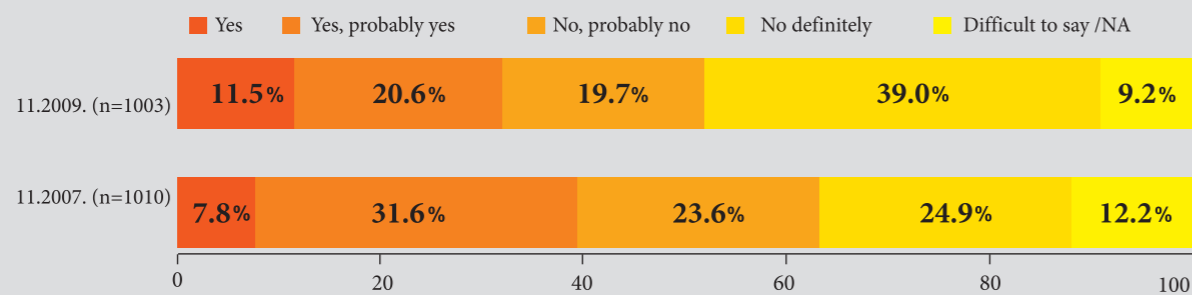


Figure 9. Society's readiness to give bribes to public officials  
Survey data comparison 11.2007. and 11.2009  
Data: SKDS

Having studied the personal experience of Latvian residents in interaction with corruption, in 2009 more than half of the Latvian residents (58%) said that within the last year they have not faced corruption. Having compared results of the studies in 2005, 2007 and 2009, residents more often provided the answer that they "have had no personal interaction with corruption" in the last two surveys (58% both in 2007 and 2009) than in 2005 (52%) (see Figure 10). In all areas of administrative corruption the experience of people shows that the impact of corruption is decreasing and a range of issues can be settled without unofficial payments, gifts or connections; however, a huge difference still exists between a positive personal experience in interaction with institutions and views of the society about the spread of corruption in Latvia.

### Have had no personal interaction with corruption (%)

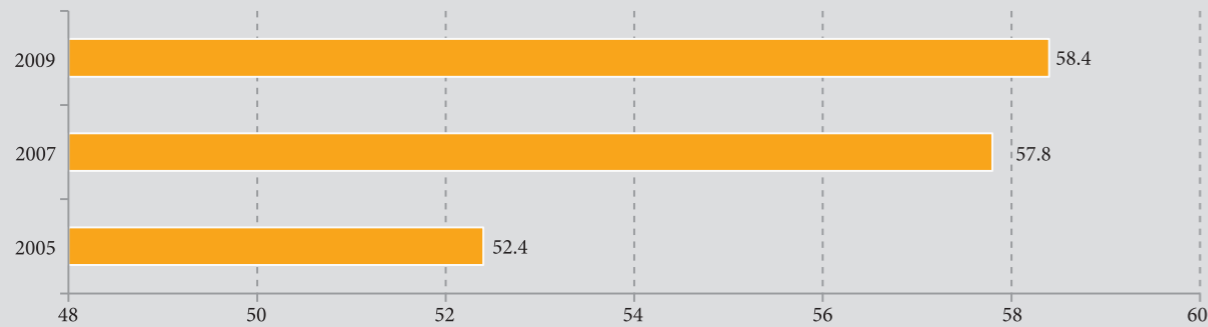


Figure 10. "What kind of corruption have you experienced personally within the last 2 years?"  
Comparison of 01.2005, 11.2007 and 11.2009 survey data  
Data: SKDS



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LATVIA



**NOST AR  
SAVTĪGUMU,  
KORUPCIJU  
UN  
NEĒDZĪB**



**Anketa par Samērīgo darbu 2014. gadā**

Līdz 2007. gada Latvijas ieviešanai SVK bija...

- Samērīgo darbu izstrādāšana pēc 2004. gada...
- Ieviešana 2004. gada...
- Ieviešana 2004. gada...

...pēc 2004. gada...