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Order No. 357)

**Operational Strategy of the Corruption Prevention
and Combating Bureau 2020-2022**

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Introduction

The Operational Strategy of the Corruption Prevention and Combating Bureau 2020 - 2022 (hereinafter - Strategy) is a medium-term management document of the Corruption Prevention and Combating Bureau (hereinafter - Bureau), which ensures the planning of the Bureau's activities, defining its strategic objectives, targets to achieve objectives, performance indicators and their numerical values.

The Strategy of the Bureau has been developed in accordance with the provisions of the Law on Corruption Prevention and Combating Bureau¹ and Cabinet 28 April 2015 Instruction No.3 “Procedures by Which an Operational Strategy of an Institution is Developed and Updated, and Implementation Thereof is Assessed”.

The objective of the Strategy is to ensure the efficient planning and implementation of the Bureau’s operations within the scope of its functions and tasks during the period from 2020 to 2022. The implementation of the Strategy is in line with the total planned mid-term budgetary expenditure of the Bureau.

The Bureau is an institution of direct administration under the Cabinet of Ministers, which in accordance with the Law on Corruption Prevention and Combating Bureau has been allocated specific functions for the prevention and combating of corruption, as well as for monitoring enforcement of the regulations on the financing of political organizations (hereinafter - Political Parties) and associations thereof.

Mission statement of the Bureau: “We take action against corruption for the good of society and national interests with the full force of law and public support, in order to achieve integrity in the exercise of power vested in officials of State.”

¹ Pursuant to Section 7, Paragraph One, Clause 1 of the Law on Corruption Prevention and Combating Bureau, the Bureau shall develop a corruption prevention and combating strategy and draw up a national programme, which is approved by the Cabinet.

1. GENERAL PART

1.1. Description of the Current Situation

Corruption within the meaning of the first paragraph of Section 1 of the Law on Corruption Prevention and Combating Bureau is bribery or any other action by a public official intended to gain an unmerited benefit for himself or herself or other persons through the use of his or her position, powers thereof or by exceeding them, therefore corruption is not limited to bribery, but also covers other criminal offenses related to abuse of office.

Not only public officials, but also a broader range of persons, may be involved in corruptive criminal offences, including persons capable of influencing or promising to influence the actions of public officials, abettors and mediators of a bribe, persons misappropriating bribes and bribers. Corruption in direct administration authorities may occur not only at the administrative, but also at the management and political level.

Interaction of the public and private sector is one of the contributing factors of corruption risks. Both a public official and a representative of an economic operator may have the intent and opportunity to use criminal techniques to ensure some undue advantage in exchange for giving unlawful benefits.

The offences discovered by the Bureau so far suggest that the highest corruption risks are related to public procurements with co-funding by the European Union. The largest procurements have been carried out in Riga, which is where the managing public administration authorities and capital companies are located, however, a significant part of the funding has also been used for procurements in the regions of the country. In 2018, the total monetary value of procurements amounted to 2 962.3 million *euro*, of which 39% were for construction works, 10% – transport services, and 9% – roadworks².

In the information report on European Union Cohesion policy fund investment developments by August 2019 the Ministry of Finance noted that 65% of all non-compliant expenditures in the first half of 2019 were found in local government projects - mainly for violations of procurement regulations³.

In 2019, the company *Eiropas Dzelzceļa līnijas* concluded a contract for the “Development and Construction of Rail Baltica Riga Railway Bridge, Railway Embankment and Riga Central Passenger Station Complex”, which is the largest project co-funded by the European Union and monitored by the Bureau throughout the entire Strategy period.

Considering that acts of corruption, especially in the field of public procurements, are frequently performed in the interests of commercial companies, assessment of the liability of a legal person becomes a significant part of the investigation of corruptive criminal offences. When analysing and investigating the relation of a legal person with the committed criminal offence, not only the actual circumstances of the criminal offence matter, but also the internal control system of

² Data from the Procurement Monitoring Bureau. Available at: <https://www.iub.gov.lv/lv/mekletiepirkumus>

³ Information report on European Union Cohesion policy fund investment developments by August 2019 (semi-annual report). Available at: <https://www.esfondi.lv/upload/Ieviesana/informativais-zinojums-par-kohezijas-politikas-eiropas-savienibas-fondu-investiciju-aktualitatem-lidz-2019.-gada-augustam-pusgada-zinojums.pdf>

the company and the measures implemented for the prevention of the possible corruption risks.

The 2018 summary of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism “*Moneyval*” Fifth Round Mutual Evaluation Report on the efficiency of anti-money laundering and counter-terrorist financing (hereinafter – AMLTF) measures in Latvia notes that Latvia should prioritize anti-money laundering measures (hereinafter - AML or ML, as appropriate) and aim to systematically prosecute a wider range of AML offences, including those of third persons and individual ML offences without a predicate offence. The report indicates that Latvia should develop law enforcement guidelines on the minimum evidential requirements required for the court to prove the ML charges of the offence in accordance with the amended laws and regulations. The aforementioned guidelines should be supplemented by relevant training provided to all law enforcement authorities that are involved in the investigation of offences that generate income.⁴

In order to ensure a common approach to the investigation of ML cases, officials of the Bureau have participated in the development of guidelines for the investigation of money laundering during the previous strategy period, including by developing a separate section on the investigation of money laundering, if it is related to corruptive criminal offences.

The Latvian National Money Laundering and Terrorism Financing Risk Assessment Report prepared by the Financial Intelligence Unit finds that there is a high possibility that a significant number of Latvian and foreign legal persons are involved in AMLTF schemes.⁵

The Organisation for Economic Co-operation and Development (hereinafter - OECD) 2019 Economic Survey of Latvia indicates that, in order to reduce money laundering risks, Latvian commercial banks were prohibited from serving a certain type high risk customers (shell companies), as well as having to reduce the amount of deposits from non-residents by more than 60%. Furthermore, the government of Latvia developed an action plan together with the OECD, the implementation of which should result in an increased capacity and performance quality of the supervisory and law enforcement institutions in the field of AML.⁶

The AMLTF Action Plan for the period until 31 December 2019 sets priorities – efficient exchange of information to facilitate investigation, ensuring adequate human resources for law enforcement authorities, implementation of information technology solutions for efficient data management, common inter-institutional understanding of AML.

The OECD 2019 Economic Survey of Latvia indicates that local governments are relatively small, both institutionally and territorially; therefore, public services are not being provided in sufficiently high quality, including education and transport services.⁶ The government has initiated a territorial reform of the local governments to

⁴ Summary of the Council of Europe Committee of Experts on the Prevention of Money Laundering and Terrorist Financing “*Moneyval*” Fifth Round Mutual Evaluation Report. Available at:

https://www.fid.gov.lv/images/Downloads/useful/Summary_MONEYVAL20188_5th-Round_MER_LV.pdf

⁵ National Money Laundering and Terrorism Financing Risk Assessment Report 2017-2018 Available at: https://www.fid.gov.lv/images/Downloads/useful/LV_TF_PF_zinojums_papildinats_2019.pdf

⁶ OECD Economic Surveys, Latvia 2019. Available at:

<https://www.oecd.org/economy/surveys/Latvia-2019-OECD-economic-survey-overview.pdf>

reduce their number from 119 to 39. The merging of local governments and creation of new managerial structures should ensure transparency of the process and reduce possible corruption, conflict of interest, waste of public funds, and other possible risks.

Elections to the national and European Parliament took place in Latvia during the Bureau's previous Strategy period. Taking into account the active pre-election campaigning on the Internet and social networks, the Bureau created a mobile application "Report to KNAB!" before the 13th Saeima elections and invited the citizens to report observed violations of pre-election campaigning. In response to the activity of the residents, the Bureau improved the functionality of the mobile application, adapting it for reporting any violations or criminal offences within its competence.

The mobile application "Report to KNAB!" enables residents to simply and conveniently report the conflict of interest of a public official and any potential corruption cases, and to provide information on (in their opinion) violations of financing of political parties.

Amendments to the Law on Financing of Political Organisations (Parties) (hereinafter - Law of Financing) shall enter into force on 1 January 2020, providing for significant changes in granting State budget funds to Political Parties.

The Whistleblowing Law entered into force on 1 May 2019. The Bureau is one of the competent authorities to which a whistleblower may report an alleged criminal offence or infringement of law. Currently, a whistleblower can notify the Bureau by phone, electronically or in writing by completing the form of the whistleblower's report, as well as by filling in the pre-defined fields in the "Report here about corruption" section of the website of the Bureau.

With the increasing level of public trust in the Bureau, the public is providing much more information on possible cases of corruption, abuse of authority, illegal financing of Political Parties, and conflict of interest. Thus, as the volume of the received information increases, the Bureau faces both understaffing and underfunding. According to the Bureau, there is a need for deliberate action to implement measure No. 180.2 of the Government Action Plan⁷, investing resources in training existing and attracting new staff. Measure No. 180.2 of the Government Action Plan provides for strengthening of the Bureau's capacity in terms of human and material resources by increasing the Bureau's budget and number of positions by 23%.

In the OECD 2019 Economic Survey of Latvia, the government's commitment to increase the budgets of law enforcement authorities, including the budget of Financial and Capital Market Commission, Financial Intelligence Unit and the Bureau, has been highlighted as a positive sign in the fight against corruption. It has been stressed that the independence of the Bureau's budget will increase the trust of the public in its ability to fight corruption.⁶

Therefore, it has been planned to suggest during the Strategy period to review the amount of the financing assigned to the Bureau and increase the number of positions by 35.

In the evaluation report "Corruption Perception Index 2018" performed by the international anti-corruption organization *Transparency International*, Latvia scored

⁷ Cabinet 7 May 2019 Order No. 210 "On the Government Action Plan for the Implementation of the Actions Intended in the Declaration on the Cabinet of Ministers Chaired by Arturs Krišjānis Kariņš"

58 points (out of 100), ranking 41st (44th in 2016) among 180 countries.⁸ In order to reduce corruption and strengthen democracy of the country, *Transparency International* recommends strengthening public authorities, increasing the efficiency of anti-corruption laws, promoting public participation and defending the freedom of press.⁹

The survey “*Special Eurobarometer 470 – Corruption report*” published by the European Commission in December 2017 indicates that only 34% of the respondents in Latvia consider corruption inadmissible. A relatively high number of respondents believe that giving gifts is admissible (60%), as is giving bribes (39%) and providing preferential treatment (43%) in return for services provided by public authorities. Compared to the 2013 survey, a positive trend was observed for the question on supporting bribes, i.e., the number of respondents who do not support giving bribes for receiving public administration services has increased by 9%. The question of the European Commission ‘do you personally know anyone who has accepted a bribe’ was answered affirmatively by 28% of respondents in Latvia. Compared to other European Union countries, Latvia ranks last with the lowest percentage of affirmative answers (11%) to the question of whether public administration efforts in the fight against corruption are effective. Compared to the 2013 survey, the number of respondents in Latvia who were aware of where to report corruption increased by 13%.¹⁰

In the “Global Competitiveness Index 2019” evaluation of the World Economic Forum, which determines the competitiveness and productivity level of a country, Latvia ranked 41st (in 2018 – 42nd) out of 141 countries. Latvia showed the best results in implementing information and telecommunications technologies, and the lowest - in healthcare. Independence of Latvian courts and trust in law enforcement authorities has also been assessed as low.¹¹

Private sector consumption and investments in Latvia are increasing, resulting in the growth of the Gross Domestic Product (hereinafter – GDP) of 4.8% in 2018, with a particularly sharp increase in the construction sector – 22% (compared to 2017).¹²

The *Stockholm School of Economics in Riga* “Shadow Economy Index for the Baltic Countries” shows a trend for the shadow economy to grow along with Latvia’s economic growth. The results of the study show that the shadow economy in Latvia reached 24.2% of GDP in 2018 (an increase of 2.2% compared to 2017). The highest shadow economy proportion (35.9%) is in the construction sector.¹³

Development of global trade is hampered by rising protectionist trends and the US-China trade conflict, but in Europe the situation is exacerbated by uncertainties

⁸ Corruption Perceptions Index 2018. Available at: <https://www.transparency.org/cpi2018>

⁹ How corruption weakens democracy. Available at: https://www.transparency.org/news/feature/cpi_2018_global_analysis

¹⁰ Special Eurobarometer 470: Corruption. Available at: http://data.europa.eu/euodp/en/data/dataset/S2176_88_2_470_ENG

¹¹ The Global Competitiveness Report 2019. Available at: http://www3.weforum.org/docs/WEF_TheGlobalCompetitivenessReport2019.pdf

¹² Gross Domestic Product 2018. Available at: <https://www.csb.gov.lv/lv/statistika/statistikas-temas/ekonomika/ikp/meklet-tema/2538-iekszemes-kopprodukts-2018-gada>

¹³ 9th annual conference “Shadow economy in Latvia”. Available at: <https://www.sseriga.edu/enu-ekonomika-latvija>

about the secession United Kingdom from the European Union. Thus, the open economy of Latvia will show significantly slower growth this year than in the previous two years.¹⁴ According to the forecasts of the Bank of Latvia, in 2019 and 2020 GDP growth will slow down and remain at a level of approximately 2.5%.

1.2. Strategic objective

Within the scope of the Bureau's competence, to raise awareness of public officials on acting with integrity and duty to act in the public interest when making decisions and using public funds.

1.3. Priorities

As the leading anti-corruption agency in Latvia, the Bureau should promote a social, economic and legal environment that focuses on public-interest authorities acting in the public interest, ensuring that each individual and the public in general trusts the legislator, executive power, judicial power, as well as the work of state and local authorities.

Over the course of the next three years, the Bureau's operation and resources for the execution of the delegated functions will be focused on the fulfilment of the following priority tasks:

1. Reducing the possibility of wrongful acts of public officials with the property and financial resources of a public authority, including the identification and eradication of corruptive criminal offences in public authorities, by performing targeted actions in the following priority fields:

- 1.1 financial sector;
- 1.2 judiciary authorities;
- 1.3. healthcare;
- 1.4. public procurements in the:
 - a) projects funded by the European Union;
 - b) construction sector;
 - c) largest local governments of Latvia;
 - d) Rail Baltica project;

2. Conducting, to the extent possible, parallel financial investigations in the criminal proceeding investigated by the Bureau in order to identify, seize and confiscate proceeds of crime;

3. Improving the monitoring of the financing of Political Parties through the application of the new model for financing Political parties;

4. Strengthening the capacity of the Bureau in terms of human and material resources, to enhance and improve the efficiency of the operational and investigative capacity of the Bureau, prevent and combat corruptive criminal offences¹⁵ and monitor the enforcement of the Law on Financing of Political Organisations (Parties).

¹⁴ Ministry of Finance: Latvia's economic growth has slowed down to 2.0% in the second quarter. Available at: https://www.fm.gov.lv/lv/sadala/tautsaimniecibas_analize/tautsaimniecibas_analize/iekszemes_kopprodukts/60919-fm-latvijas-ekonomikas-izaugsme-otraja-ceturksni-paleninajusies-lidz-20

¹⁵ Measure No. 180.2 of Cabinet 7 May 2019 Order No. 210 "On the Government Action Plan for the Implementation of the Actions Intended in the Declaration on the Cabinet of Ministers Chaired by Arturs Krišjānis Kariņš"

1.4. Bureau Courses of Action

The functions assigned to the Bureau are the prevention and combating of corruption, and enforcement of the regulations on the funding of political parties, ensuring the following courses of action:

- 1) detection and investigation of criminal offenses;
- 2) monitoring activities of public officials;
- 3) monitoring of financing of political parties and pre-election campaigns;
- 4) educating and informing the public on anti-corruption issues;
- 5) anti-corruption policy planning and international cooperation.

1.4.1. Detection and Investigation of Criminal Offenses

Description of the current situation:

Officials of the Bureau investigate criminal offences committed in public administration, if such offences are related to corruption, as well as criminal offences related to violations of the regulations on financing of Political Parties. By doing so, officials of the Bureau perform operational activities, departmental examinations and investigate criminal offences, as well as provide assistance to foreign countries in conducting procedural actions related to the investigation of corruptive criminal offences.

The Moneyval Fifth Round Mutual Evaluation Report on the efficiency of the Latvian AMLTF system for the reporting period until November 2017 was published on 23 August 2018. The Latvian AMLTF system has been rated having a substantial level of effectiveness in the area of international cooperation, moderate effectiveness in eight other areas, and low effectiveness in two other areas (legal persons and arrangements, as well as financial sanctions for proliferation financing). Latvia must make the necessary improvements to the efficiency indicators by end of 2019.

According to Cabinet 11 October 2018 Order No. 512 “On the Plan of Anti-Money Laundering and Counter-Terrorism Financing Measures for the Period of Time till 31 December 2019” Bureau officials participated in a working group in 2019 to develop practice guidelines ensuring a unified approach to the investigation of laundering of proceeds from crime.

Analyzing the results of the previous operational strategy of the Bureau shows that high levels of corruption risks remain in the field of public procurements. Several corruptive criminal offences related to public procurements were detected during the aforementioned time period. Particularly high corruption risks can be seen in the public procurements held by local authorities and capital companies, as well as in the construction sector. Corruption in the field of public procurements detected by the Bureau is often related to non-compliance with restrictions of competition.

With corruption risks remaining high, the field of public procurements, including in the construction sector, will remain the Bureau’s priority during Strategy period. Taking into account that work on the largest construction project in Latvia - Rail Baltica - began during the Strategy period, the Bureau will pay special attention to ensure that public officials act in the public interest during the implementation of the

project, and that the stakeholders and third parties are from the outset prevented from gaining unlawful personal or material benefits.

The US Treasury Department's Financial Crime Prevention Network (FinCEN) published a report in 2018, in which a number of significant allegations were made against the Latvian credit institution (JSC) AS "ABLV banka", stating that the management of the commercial bank, shareholders and employees had turned money laundering into one of the bank's businesses, and the bank had been used for criminal purposes, including making transaction with parties related to institutions contained in the sanctions lists of the US and United Nations. In 2018, the JSC (AS) "ABLV banka" commenced self-liquidation process, which is controlled by the Financial and Capital Market Commission and supervised by several competent law enforcement agencies, including the Bureau.

The objective of the Bureau is to ensure targeted, efficient and high-quality analytical and operational activities and investigation. Particular emphasis should be placed on the detection and investigation of criminal offenses in the financial sector, where high risks of corruption and money laundering have been identified.

Taking into account the material nature of corruptive criminal offenses, i.e., such a criminal offence generates proceeds of crime, the Bureau should pay particular attention during the Strategy period to resolving property issues in criminal proceedings so as to dispose of the unlawfully gained proceeds, thus discouraging individuals from engaging in corruption. The effective work of the Bureau in investigating criminal offences, recovery of proceeds from crime and ensuring the inevitability of punishment plays an important preventive role in deterring other members of the public from illegal conduct.

At the moment, the Bureau conducts parallel financial investigations in all criminal proceedings to the extent possible, i.e., tracks the financial flow to verify whether the financial resources and property of the offender, their relatives or associated persons are of criminal origin.

In the Bureau's opinion, the investigation of a criminal offence and financial investigation should be carried out in parallel and by different specialists. Currently, parallel financial investigations at the Bureau are conducted mainly by the investigators, which hinders investigation of the predicate offence. In order to conduct comprehensive parallel financial investigations in every criminal proceeding investigated by the Bureau, additional specialists – financial analysts, as well as adequate technical equipment – analytical tools, are required. Expertise of the Bureau officials regarding investigation procedures of money laundering is deemed sufficient, however, additional training is ongoing to strengthen the competence of investigators and analysts, as well as to promote a uniform understanding of law enforcement authorities and public prosecutor's office of the matters related to investigation of money laundering and confiscation of proceeds of crime, which, in turn, would contribute to the timely investigation of criminal offences and taking adequate actions by confiscating the proceeds of crime.

To continue improving the expertise of the investigation of corruptive criminal offences, including combating money laundering, as well as to strengthen uniform approach among law enforcement authorities, adequate and high-quality training is of significant importance.

During the previous Strategy period, the Bureau closely cooperated with other public authorities in the investigation of several criminal proceedings. Cooperation with the Competition Council, State Audit Office and the State Police can be highlighted as examples of good practice. Taking into account that the Public Prosecutor's Office supervises the course of investigation of all criminal proceedings pending in the Bureau, the Bureau stresses the necessity for close cooperation aimed at a uniform understanding, which in turn would facilitate timely and comprehensive investigation of criminal proceedings.

Corruptive criminal offences are frequently of cross-border nature, as foreign natural and legal persons are involved in both the implementation of acts of corruption and the consequent money laundering. Therefore, cross-border cooperation and use of the international tools available to the investigation plays a significant role.

The Bureau actively uses all available international co-operation possibilities for investigating criminal offenses, including co-operation within the framework of legal assistance requests, and compliance with the received foreign legal assistance requests. The last two years have shown a sharp increase in the number of received foreign requests for legal assistance, which can be explained by the cross-border nature of corruptive criminal offences, as well as active fight against money laundering.

Objective of the course of action:

To conduct parallel financial investigations of corruptive criminal offenses to identify, seize and confiscate the proceeds of crime, thereby reducing the motivation of individuals to engage in acts of corruption.

To investigate the engagement of public officials and employees of the financial sector, who ensure flow of bribes and proceeds of crime through the financial system of Latvia, in cross-border bribery cases.

Policy results:

Table 1

1. Policy results						
1.1. Result	1.2. Performance indicator	1.3. Numeric values of the performance indicator				
		Performance in 2018	Plan for 2019	Plan for 2020	Plan for 2021	Plan for 2022
1.1.1. Detection and investigation of criminal offenses	1.2.1. Criminal offences detected	131	85	90	90	90
	1.2.2. Ratio of criminal proceedings initiated by the Bureau, which have been sent for prosecution and have not been terminated by the prosecution office (%)	91.6	95	95	95	95

	1.2.3. Number of the criminal proceedings initiated by the Bureau on the basis of the information obtained during the operational activities	17	14	15	15	15
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Tasks for implementing the course of action:

- 1) To conduct parallel financial investigations in each criminal proceeding investigated by the Bureau;
- 2) To ensure adequate and high-quality training for the Bureau's employees to improve their professional qualification, especially on issues related to the investigation of money laundering and confiscation of proceeds of crime, and parallel financial investigation;
- 3) To supervise the Rail Baltica project, monitoring the actions of public officials in making decisions and managing the financial resources allocated for the implementation of the project.

Other involved authorities:

No other authorities are involved.

1.4.2. Monitoring Activities of Public Officials

Description of the current situation:

In the field of corruption prevention, the Bureau enforces the Law On Prevention of Conflict of Interest in Activities of Public Officials (hereinafter – the Law on Conflict of Interest) as well as compliance with additional restrictions imposed on public officials by other laws and regulations.

The Law on Conflict of Interest imposes several restrictions on public officials regarding the combining of offices, obtaining of income, undertaking commercial activities, issuing administrative acts, performance of supervision, control, inquiry or punitive functions and entering into contracts, prohibition to influence the issue of administrative acts, as well as the ban on fulfilling supervisory, control, inquiry and punitive functions, restrictions on accepting gifts and donations, prohibition to be a representative, prohibition to receive supplementary payments, restrictions on advertising, restrictions to act with regard to the property of an institution of a public person, prohibition to use information.

According to the Corruption Prevention and Combating Guidelines 2015–2020, one of the priorities in corruption prevention is shifting the anti-corruption policy from external control exerted by supervising authorities to internal control by the departments and institutions.

Within the scope of their competence, the head of an institution of a public person has the duty¹⁶ to prevent the public officials working at the respective institution from becoming subject to a conflict of interest and exerting powers of public officials in such situations. Whereas the Cabinet of Ministers issues regulations on the basic principles of internal control systems for the prevention of corruption risks and conflict of interest at public institutions¹⁷. Therefore, the head of an institution of a public person must take the necessary actions to ensure risk management to reduce the possible risk of corruption and conflict of interest, as well as to act accordingly as soon as violations of the Law on Conflict of Interest are detected.

Pursuant to the obligation specified in Section 20, Paragraph six of the Law on Conflict of Interest¹⁸, heads of institutions of a public person have informed the Bureau about 78 violations of the Law on Conflict of Interest detected in the respective institution in 2018. In turn, 60 reports of violations of the Law on Conflict of Interest had been received by 15 November 2019. This indicates that the internal control system for the prevention of corruption risks and conflict of interest implemented in individual institutions of public persons is effective, and, within the framework of this system, the institution is able to identify violations, which had not been successfully eliminated by implementing preventive measures.

During the Strategy period, work should continue on implementing measures to prevent conflict of interest of public officials and shifting the control of restrictions and prohibitions imposed on public officials from external control to internal control

¹⁶ Section 20, Paragraph one of the Law on Conflict of Interest

¹⁷ Section 20, Paragraph eight of the Law on Conflict of Interest

¹⁸ The head of an institution of a public person has an obligation to inform without delay the Corruption Prevention and Combating Bureau or in the cases determined in this Law - the director of the Constitution Protection Bureau about the detected violations of this Law which have been committed by the public officials of the relevant institution.

by the institution. At the same time, the authority (competence) of the heads of institutions of public persons in the prevention of the conflict of interest should be expanded; this also applies to solving issues regarding the liability of a head of an institution of a public person if the duties related to the prevention of the conflict of interest are not respected. Along with the expansion of authority and liability of the heads of institutions of public persons, simultaneously tackling the issue of “decriminalisation” of less significant violations, i.e. administrative violations entailing a lower level of danger to the general public (less harmful consequences), establishing disciplinary sanctions for them and imposing an obligation for the heads of institutions of public persons to hold the offending public officials disciplinary liable. For example, for the combination of offices without a written permission, for the non-compliance with the procedures for the enforcement of restrictions on combining offices, if the combination of offices is subject to a written permission.

In order to delimit the competence of the Bureau from that of the State Revenue Service in the verification of declarations of public officials, amendments to the Law on Conflict of Interest entered into force on 6 March 2018, stipulating that the Bureau shall examine declarations of public officials in order to examine cases on violations of the Law on Conflict of Interest and other laws within the scope of its competence, whereas the State Revenue Service shall compare the information indicated in the declaration with the information at its disposal by verifying information on the public official’s income, financial status and transactions.

The Bureau will continue close cooperation and consultations with the State Revenue Service during the Strategy period in order to define the incorporation of achievable performance indicators into the internal regulations of the State Revenue Service.

Furthermore, on 15 November 2018, significant amendments to the Law on Conflict of Interest entered into force, stating that public officials¹⁹ referred to in Section 4, Paragraph Three of the Law on Conflict of Interest shall not be subject to the provisions of Chapter IV “Declarations of Public Officials”, namely, the aforementioned public officials shall not be obliged to submit declarations of public officials, however, the restrictions and prohibitions imposed on the public officials in the aforementioned law remain binding upon them.

The Bureau simultaneously continues its work on amendments to the Law on Conflict of Interest (No.150/Lp13), which will significantly improve procedures for the acceptance of donations; impose an additional obligation to inform the head of an institution of public person or the Bureau on conflict of interest situations or alleged corruption cases, including bribing of foreign officials; expand the list of persons, who shall be specified in the declaration of a public official; determine procedures for the submission of the declaration by the director (public official) of the Constitution Protection Bureau; set fixed-term restrictions on the commercial activity of public officials, who have performed investigative functions; specify duties and actions to be taken by public officials, determining additional cases and providing for specific deadlines for informing the head of an institution of a public person on the possible

¹⁹ Persons who fulfil official duties externally of institutions of a public persons shall also be considered public officials, if in accordance with the laws and regulations the State or a local government has permanently or temporary delegated to them any of the functions referred to in Paragraph two of this Section.

conflict of interest, and other amendments²⁰. The aforementioned draft law is currently under examination at the Saeima before the second reading.

Objective of the course of action:

To ensure that the actions of public officials are in the public interests by preventing the influence of personal or financial interest of any public official, his or her relatives or counterparties on the actions of the public official, to promote openness of the actions of the public officials and their public accountability, as well as the public confidence in the actions of public officials.

To implement a set of measures to prevent conflicts of interest of public officials and the shifting of the control of restrictions and prohibitions imposed on public officials from external control to internal control by the institution.

Policy results:

Table 2

2. Policy results						
2.1. Result	2.2. Performance indicator	2.3. Numeric values of the performance indicator				
		Performance in 2018	Plan for 2019	Plan for 2020	Plan for 2021	Plan for 2022
2.1.1.Ensured lawfulness and merits of decisions made by the Bureau	2.2.1.Proportion of decisions made by the Bureau in relation to administrative violations in the field of corruption prevention, which have not been annulled by court	100%	98%	98%	98%	98%
2.1.2. Detected violations in the field of conflict of interest prevention	2.2.2. Decisions made by the Bureau on violations of the Law on Conflict of Interest	325	255	255	255	255
2.1.3. Monitoring activities of public officials	2.2.3. Number of examined declarations of public officials (number of public officials)	878	950	950	950	950

Tasks for implementing the course of action:

- 1) To lay down procedures in the internal regulations of the Bureau by which annual verification of the declarations of the high-level public officials is to be performed to prevent the possible violations of the Law on Conflict of Interest within the scope of competence of the Bureau;

²⁰ Draft law (No. 150/LP13). Available at:

<https://titania.saeima.lv/LIVS13/SaeimaLIVS13.nsf/0/B699A991EF236965C225835C003673C6?OpenDocument>

- 2) To draft the Bureau's internal regulations (guidelines) defining the basic principles for the determination of the amount of the income and material benefits (gained by a public official through the violation of the restrictions and prohibitions imposed thereon by the law) to be repaid to the State by the public official;
- 3) To develop and introduce a set of measures required to shift from the prevention of conflict of interest and the control of restrictions and bans imposed on public officials by external authorities to internal control, addressing the issue regarding expanding the powers (competence) and liability of the heads of institutions of public persons in the prevention of conflict of interest.

Other involved authorities:

No other authorities are involved.

1.4.3. Control of Financing of Political Parties and Monitoring of Campaigning

Description of the current situation:

The Bureau controls the fulfilment of the financing regulations of Political Parties and inspects compliance with the restrictions of pre-election campaigning before the parliamentary elections, local government council elections and European Parliament elections, campaigning before referendum, campaigning for initiation of a law and campaigning for initiation of recalling of the Saeima.

The Law on Financing provides for transparency, lawfulness and compliance of financial operations of Political Parties with the parliamentary democratic system. The Law on Financing determines the sources of financing of Political Parties, financing restrictions and prohibitions, as well as requirements for transparency.

Amendments to the Law on Financing, which entered into force 1 January 2018, state that natural persons are allowed to make gifts (donations), pay membership fees and joining fees from their income, but the total amount of these gifts (donations), membership fees and joining fees may not exceed 30 per cent of the income gained by such persons in the previous calendar year. These amendments are based on the fact that, during the auditing of the donations (gifts) received by Political Parties, the Bureau found that nearly 25% of the donations account for the total income of the relevant private individual gained during the previous three years, which lead to suspicions regarding the lawful origin of these funds.

Overall, the new restriction has facilitated better transparency of financial resources, as the donation amounts by natural persons may not exceed 30 percent of the income which such person has obtained in the previous year, thus increasing the likelihood that the persons donate their own financial resources to the Political Parties.

The Parliamentary elections (October 2018) and national European elections (May 2019) took place in Latvia during the Bureau's previous strategy period. Considering the intensity of political processes, there was a significant risk that the financial resources required for the operations of Political Parties in the pre-election period are obtained not only from legal, but also hidden sources, i.e. "slush funds". The close relationship of the representatives of Political Parties with their sponsors, who contribute to the accounts of the parties, may also affect the political agenda and

decision-making, therefore the control of financing of Political parties was subject to particular attention during this period.

During the audit of the declarations of income and expenditure of Political Parties for the 13th Saeima elections and compliance with the restrictions of pre-election campaigning, the Bureau found in several cases that the political forces had failed to indicate all their pre-election income and expenditures (indicated false information in the declaration) and received prohibited gifts from legal persons, as well as failed to comply with the restrictions of pre-election campaigning. Regarding the detected violations, decisions subjecting the Political Parties to administrative liability have been adopted, and an oral admonishment has been expressed to one Political party.

The Bureau simultaneously performed audits on the use of administrative resources for pre-election campaigning, and the persons were subjected to administrative liability as a result. Within the audits the Bureau also detected violations of pre-election campaigning procedures by unrelated persons.

Currently the Bureau is continuing the initiated audits regarding the income and expenditure declarations for the 2019 European Parliament elections. Pursuant to Paragraph three, Section 8.² of the Law on Financing, the Bureau performs an audit of declarations of income and expenses of elections and shall, within six months from the closing date of the period for submitting the declarations, inform the public of all violation of the provisions for the financing of political organisations (parties) identified in all those submitted declarations, as well as of the measures implemented for the prevention thereof.

It is important to note that, during the audits, the Bureau identified a trend, where Political Parties concluded 2018 with significant liabilities for the received services and goods (total amount of the liabilities of the Political parties amounted to 1 386 616.00 *euro*), which creates a risk of inequality of the parties during the organisation of the pre-election campaigns. To reduce this risk, amendments have been made to the Law on Financing, which shall enter into force on 1 January 2020, and which will restrict debt accumulation possibilities of the Political Parties, i.e. equating the liabilities of Political Parties to a loan and setting a deadline for the repayment of existing liabilities.

Furthermore, the aforementioned amendments provide for substantive changes in the granting of financing from the State budget to the Political Parties, namely, a Political Party, for which more than two percent of voters have voted in the most recent parliamentary elections, shall be granted the following financing from the State budget within a calendar year:

- 1) 4.50 *euro* for each vote received in the most recent parliamentary elections;
- 2) 0.50 *euro* for each vote received in the most recent local government council elections;
- 3) 0.50 *euro* for each vote received in the most recent national elections to the European Parliament.

Political Parties, for which more than five percent of voters have voted in the most recent parliamentary elections, in addition to the provisions of Section 7.¹, Paragraph One, shall be granted State budget financing in the amount of 100 000 *euro* in a calendar year. A Political Party is entitled to use the financing granted to it from the State budget, but which has remained unused, within the following three years. The

total amount of the financing assigned from the State budget per each Political Party within a calendar year may not exceed 800 000 *euro*.

The aforementioned amendments also determine the maximum amount of the gifts (donations), membership fees and joining fees a natural person is allowed to pay to the Political Parties, which receive financing granted from the state budget.

Considering the rapid growth of the amount of the financing granted to the Political Parties from the State budget, the Bureau should accordingly strengthen the monitoring of such financing to ensure that the financing granted from the State budget is used for the purposes provided for in the Law on Financing.

Furthermore, in accordance with the requirements of the Financing Law, the Bureau has developed the Electronic Data Entry System (EDIS), the goal of which is to allow Political Parties to submit documents and reports electronically, thus simplifying the use of the submitted information on financial operations, as well as simplifying the processing and publishing thereof. The substance of the previous legal framework was not changed, but rather the submission of documents and reports by the Political Parties was simplified and made electronic, thus ensuring the transparency and lawfulness of the financial activities of the Political Parties and compliance thereof with parliamentary democracy.

Objective of the course of action:

To ensure the transparency of financing of Political Parties by identifying non-compliance with the imposed restrictions within the shortest possible term by using the newly introduced Electronic Data Entry System (EDIS).

To monitor compliance with the restrictions of pre-election campaigning imposed on Political Parties in the local government elections in Latvia (2021) and in the parliamentary elections (2022).

Policy results:

Table 3

3. Policy results						
3.1. Result	3.2. Performance indicator	3.3. Numeric values of the performance indicator				
		Performance in 2018	Plan for 2019	Plan for 2020	Plan for 2021	Plan for 2022
3.1.1. Reduced role and impact of money in politics	3.2.1 Detected violations in financing of political parties and campaigning	33	25	25	25	25
3.1.2. Reduced number of violations in pre-election campaigns	3.2.2 The number of unlawful pre-election campaigns stopped during the pre-election campaigning period	0.5%	0.5%	0.5%	0.5%	0.5%

3.3.3. Decisions of the Bureau are recognized as lawful and justified after judicial review in court	3.2.3. The ratio of the Bureau's decisions upheld and unrevoked in court during the reporting year pertaining to administrative violations and repayment of unlawful financial resources	100%	98%	98%	98%	98%
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Tasks for implementing the course of action:

- 1) To analyse experience of election campaigns and assess pre-election laws and, upon detection of any shortcomings, to propose amendments to the laws and regulations to improve the legal framework for the financial control of pre-election campaigning and to reduce the role of financial resources in politics;
- 2) To continue improving the Bureau's abilities to obtain, process and analyse information related to the hidden pre-election campaigning and illegal financing of Political Parties;
- 3) To improve the Electronic Data Entry System (EDIS), which would strengthen the Bureau's capacity for the control over financing of Political Parties and monitoring of campaigning;
- 4) To improve control over the use of the financing granted from the State budget.

Other involved authorities:

No other authorities are involved.

1.4.4. Educating and Informing the Public on Anti-Corruption Issues

Description of the current situation:

The Bureau educate the public in the area of the law and ethics, informs of the corruption development tendencies and resolved cases of corruption, as well as the measures taken in corruption prevention and combating.

Communication with the public, types and forms thereof are determined by the Bureau's communication and awareness-raising strategy, which is updated annually.

There is a constantly high demand from institutions for educational events, but the capacity of the Bureau is limited. In recent years, seminars for institutions seeking such training have been organised in order of their applications; training for institutions with high risks of corruption is prioritized to the extent possible (for example, training of members of procurement commissions of Pauls Stradiņš Clinical University Hospital, Riga Hospital No. 1, members of procurement commissions of Riga International Airport, public officials of the Financial and Capital Market Commission, administration of the Supreme Court and several others). However, it should be noted that alternatives to ensure broader training at the institutions with high risks of corruption should be sought in the future. It is also necessary to seek alternatives for the provision of training of other interested institutions, including by increasing the involvement of the institutions themselves in the training process.

At the end of 2015, the Bureau reached an agreement with the School of Public Administration for the option of online knowledge testing of public officials to be

included in the Education Management System developed by the Latvian School of Public Administration within the framework of the implementation of the European structural funds project “Professional Development of Human Resources of Public Administration in Prevention of Corruption and Reduction of Shadow Economy”. Trials in the Education Management System were started in 2019, and online examinations are currently in the implementation stage.

In order to ensure a sustainable approach to educational matters, the Bureau will continue to develop and improve the training model for further education trainers (*Train the trainers*). Within the model, representatives of government and local government institutions and capital companies of a public person are trained to be able to train officials of their institutions on anti-corruption matters. The current task of the further education trainers is to educate officials of their institutions on the basics of prevention of conflict of interest. In the future, further education trainers, mandated by the head of the institution, could perform functions of the internal supervisor, providing the head of the institution with support in the implementation and maintenance of an effective internal control system to prevent risks of corruption and conflict of interest. In order to facilitate the establishment and maintenance of an efficient internal control system, a topic on creation of an efficient internal control system for the prevention of risks of corruption and conflict of interest has been included in the training for further education trainers within the framework of the model *Train the trainers*.

Separate training should also be provided for those officials of an institution of a public person, which are responsible for the internal control in their institution, by providing training on how to create and implement effective, useful and efficient internal control to prevent risks of risks and conflict of interest.

Education of the youth and students is also necessary as a preventive measure to promote intolerance of corruption in the new generation and to inform them of the harmful consequences of corruption, thus raising trust in and reliance on the Bureau as a fair, independent and competent authority, promoting an ever-increasing readiness of the public to report acts of corruption in the future and avoiding indifference. It is also necessary to continue the cooperation with the National Centre for Education, both by educating teachers of various subjects on anti-corruption matters and complying with the National education standard and curriculum, by developing and offering educational institutions various informative materials. It is likewise necessary to strengthen the cooperation with higher education institutions to ensure that they include anti-corruption topics in their study programmes.

The Bureau has begun educating entrepreneurs on anti-corruption issues and strengthening of internal anti-corruption control systems with the aim of raising awareness among entrepreneurs of fair and lawful commercial activities. Active efforts to educate and inform entrepreneurs should continue. It is important to call upon entrepreneurs to assess corruption risks and implement effective risk mitigation measures to prevent bribery, and paying special attention to the inadmissibility of bribery of foreign officials.

To date the Bureau has used drawings from youth drawing competitions as the visual materials for social campaigns, which was insufficiently effective in engaging the target audience. The Bureau has also not used professional services for the development and implementation of a long-term targeted social campaign, as well as

for the assessment and improvement of the existing informative channels. The Bureau must continue developing the targeted cooperation established in 2019 with representatives of various media, who influence the shaping of the public opinion. It is important to continue developing effective communication in social media, which today is an important mechanism for building an institution's image. In order to enhance public awareness of the negative impact of corruption and to foster the willingness to report violations a professional and large-scale social campaign should be implemented, encompassing all public relations mechanisms. To ensure that the social campaign is effective and is able to deliver the expected results, the planning and organisation process must involve professionals from the respective field, as well as, to the extent possible, cooperation partners, thereby signaling to the public that the Bureau does not stand alone when it comes to its goals and actions.

The Bureau is planning to implement several measures in order to shape the public opinion on the activities of the Bureau as an independent and efficient institution operating for the public benefit, including ensuring awareness of the public and particular target audiences both regarding the Bureau's competence and achieved results, as well as the implemented anti-corruption measures. Public trust in the Bureau as a fair, independent and competent institution should be raised along with the education and awareness-raising measures of the public, promoting readiness of the public to report acts of corruption and preventing indifference.

One of the ways to involve the public in the fight against corruption and promote social activity and intolerance of the residents towards acts of corruption, is the possibility to report alleged violations via various and commonly available reporting channels. Residents can already report alleged violations within the scope of competence of the Bureau by using the whistleblowing system, by sending information to the e-mail address: knab@knab.gov.lv; by phone, using the free hotline; by using the mobile application "Report to the KANB", or in person at the Bureau. Considering that the whistleblowers often wish to track the progress of their report, it would be necessary to create an online reporting platform with a built-in option for the whistleblower to track the progress of their report up to a certain stage of information processing.

Objective of the course of action:

Improve public trust in the Bureau by shaping a positive image of the Bureau and promoting its authority in the eyes of the public.

Make reporting convenient, easily accessible and, if possible, to provide feedback to the reporting person and the general public.

Policy results:

Table 4

4. Policy results						
4.1.Result	4.2. Performance indicator	4.3. Numeric values of the performance indicator				
		Performance in 2018	Plan for 2019	Plan for 2020	Plan for 2021	Plan for 2022

4.1.1. Improved level of knowledge of public officials on corruption prevention matters	4.2.1. Knowledge tests administrated during educational events show a growing number of public officials who are well educated on basic matters of corruption prevention	85%	86%	87%	88%	88%
4.1.2. Reduced public tolerance of corruption and increased willingness to report corruption cases	4.2.2. Reduced number of respondents who give a positive answer to the following sociological survey statement: "I am not willing to report any corruption cases"	30%	30%	28%	27%	25%
4.1.3. Reduced ratio of residents, who admit that they are willing to give a bribe	4.2.3. Reduced ratio of residents, who admit that they are willing to bribe a public official to solve their issues at institutions of public persons (% of respondents)	20%	20%	18%	18%	18%

Tasks for implementing the course of action:

- 1) To continue implementing the communication and awareness-raising strategy; if necessary - add new tasks, specifying and/or adding methods and types of communication;
- 2) To continue regularly inviting institutions to attend educational events, prioritizing institutions whose officials are involved in the criminal and administrative cases pending in the Bureau, as well as to seek alternative training modes for the interested institutions;
- 3) To develop a targeted, large-scale social campaign by involving professionals of the respective field, including in the organisation of social activities and assessment of efficiency of the Bureau's awareness-raising tools and in the development of recommendations for the improvement thereof;
- 4) To develop and introduce an online reporting platform, which would provide feedback to the submitter and whistleblower, and guarantees their anonymity.

Other involved authorities:

Latvian School of Public Administration.

1.4.5. Planning of Anti-Corruption Policy and International Cooperation

Description of the current situation:

According to the Law on Corruption Prevention and Combating Bureau, when planning the anti-corruption policy, the Bureau shall develop a corruption prevention and combating strategy and draw up a national programme, and co-ordinate co-operation among the institutions referred to in the national programme in order to

ensure implementation of the programme. The Bureau also analyses laws and regulations and draft laws and regulations, and also initiates to make amendments thereto, submits proposals for drafting new laws and regulations.

The Corruption Prevention and Combating Guidelines 2015–2020 (hereinafter - Guidelines) were approved by the Cabinet 16 July 2015 Order No. 393 “On the Corruption Prevention and Combating Guidelines 2015–2020”. The objective of the Guidelines is to describe the current situation in the area of corruption prevention and combating in Latvia, to define current issues and goals, courses of action and tasks to be performed during the period from 2015 to 2020.

To achieve eight sub-goals contained in the Guidelines, a plan of tasks and action plan have been drawn up for the implementation of 135 measures, including amendments to laws and regulations, improvement of functions of institutions, initiatives aimed at acquiring new knowledge and awareness-raising of the anti-corruption policy.

At the moment, the Bureau has prepared the informative report “Regarding the Interim Assessment of the Implementation of the Corruption Prevention and Combating Guidelines 2015–2020 during the period 2015–2018”. The Bureau will prepare a final impact assessment of the implementation of the Guidelines by 1 November 2021.

Following the implementation progress of the Guidelines and results thereof, as well as assessing and forecasting the situation in the field of anti-corruption policy by 2021, the Bureau sees a necessity to develop the Corruption Prevention and Combating Action Plan 2021–2025 based on Paragraph 13, Sub-paragraph 2 of the Cabinet 2 December 2014 Regulation No.2 “Regulations for the Drawing Up of Development Planning Documents and Impact Assessments”. The new Corruption Prevention and Combating Action Plan will therefore be a logical and purposeful continuation of the Corruption Prevention and Combating Guidelines 2015–2020. This new policy planning document will retain the previously defined course in corruption prevention and combating, i.e., objectives and courses of action; however, it will also include a set of new tasks for institutions of public persons, flexibly reacting and adjusting to the actual societal trends and problem situations, as well as the problems related to the application of legal rules.

In 2018 the Bureau prepared the informative report “On the Assessment of the Internal Anti-corruption Control System in Institutions of Public Persons” (adopted in Cabinet of Ministers 19 July 2018 meeting). During the drafting of the aforementioned informative report and having surveyed 1662 institutions of public persons, the Bureau found that only 608 institutions (36.6%) have developed an anti-corruption action plan, and only 351 institutions (21.1%) have included procedures in their internal regulations for how the employees of the institution may report alleged infringements by employees of the respective institution. The Bureau also concluded that during the development of an anti-corruption action plan at an institution, the possible risks of corruption and conflict of interest and measures to be implemented for the prevention thereof are not always identified, which raises concerns about the anti-corruption plans at the institutions being merely a formality.

In order to create an independently functioning internal control system for the prevention of risks of corruption and conflict of interest in institutions of public persons, as well as to achieve a uniform understanding of the basic requirements for

the creation of an internal control system, Cabinet 17 October 2017 Regulation No. 630 “Regulations Regarding the Basic Requirements for an Internal Control System for the Prevention of Corruption and Conflict of Interest in an Institution of a Public Person” entered into force on 27 October 2017 (hereinafter - Cabinet Regulation No.630)²¹.

Ensuring compliance with Cabinet Regulation No. 630 and raising awareness of the basic requirements of an internal control system, the Bureau developed Guidelines on the basic requirements of an internal control system for the prevention of risks of corruption and conflict of interest in institutions of public persons (approved by 31 January 2018 resolution of the Director of the Bureau). The objective of these guidelines is to provide suggestions, methodological help and examples for the prevention of risk of corruption by implementing the basic requirements laid down in Cabinet Regulation No. 630.

In 2020, the Bureau will perform a repeated assessment of the internal anti-corruption control systems at institutions of public persons for the period from 2018 to 2019, to ensure that effective and useful internal control system are implemented in all institutions of public persons. On the basis of the assessment results, the Bureau will assess the liability of the head of the institution of a public person in the event of failure to perform their duties in relation to the prevention of conflict of interest.

The Bureau will continue analysing laws and regulations and drafting regulatory enactments within the framework of its competence by submitting proposals for the necessary amendments to reduce possible risks of corruption and conflict of interest.

According to the Law on Corruption Prevention and Combating Bureau, the Bureau compiles and analyses the experience of other countries in corruption prevention and combating, while actively engaging in the development of mutual and regional international relations. Foreign partners are interested in experience of the Bureau, therefore, continued active involvement in both the transfer and sharing of experience is planned in the future. A particularly close cooperation has been established with the closest foreign partners – Lithuania, Estonia, Poland and Ukraine.

In the framework of international cooperation, the Bureau receives support from specialized services such as INTERPOL, EUROPOL, EUROJUST and OLAF (European Anti-Fraud Office).

The Bureau currently ensures participation in various events organised by international organisations, as well as performs obligations under the Council of Europe Agreement “Establishing The Group of States Against Corruption” (GRECO)²², obligations under the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (Anti-Bribery Convention), recommendations of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism “Moneyval”, obligations under the United Nations (UN) Convention against

²¹ Paragraph 15 of the Cabinet 17 October 2017 Regulation No. 630 states that the internal control system shall be established until 31 December 2018.

²²Latvia has acceded to all international treaties whose obligations are monitored by GRECO: Council of Europe Criminal Law Convention On Corruption and Additional Protocol, Council of Europe Civil Law Convention on Corruption.

Corruption, as well as activities related to the measures for the protection of the financial interests of the European Union.

Furthermore, the Bureau has also joined informal cooperation networks such as the *European Partners against Corruption* (EPAC) and the *Network of Integrity*.

Work on the implementation of the GRECO recommendations to Latvia in the fourth and fifth rounds of evaluation should continue during the Strategy period.

During the GRECO's Fourth Evaluation Round, Latvia was recommended to adopt a legal framework on lobbying, which would promote the principles of transparency and good governance in the work of the Saeima. Therefore, the Bureau will continue to participate in the development of the aforementioned legal framework during the Strategy period. The principles of communication between decision-makers and individuals who seek to influence the decision-making process by representing specific interests, as well as the duty of disclosure of such individuals, are still not regulated at the Saeima level. It should be noted that the recommendations of international organizations pay special attention to legislative power. Namely, no comprehensive regulation has been adopted so far for streamlining representation of interests, which would apply to the work of representatives of the parliament, i.e. members of the Saeima, when they submit proposals for draft laws that are authored or co-authored by private individuals.

In 2016 the Saeima has made amendments to the constitution and revoked the immunity of members of the Saeima against administrative liability, thus complying with the recommendations given to Latvia in the GRECO's Fourth Evaluation Round. At the same time, judges and public prosecutors are still subject to the same mechanism, which is considered inadmissible by international organisations in a society based on the rule of law, therefore, it has been recommended to revoke said immunity. The Bureau will continue to coordinate this issue and call upon the judicial institutions and Saeima to move away from historical regulations that do not promote the principle of equality.

Whereas in 2018, in the GRECO's Fifth Evaluation Round, during which prevention of corruption and promotion of integrity of the highest-ranking officials of the executive power and law enforcement authorities was evaluated, experts and other Member States paid the utmost attention to the external advisers of Ministers, their role and functions. Within this round, several recommendations have been given, which Latvia is obliged to implement, for example, online publishing of information on all internal and external advisers of Ministers, their positions, works, rights and duties, basic principles of the system of the conflict of interest must also be applied to the external advisers, behavioural standards and principles of the high-level officials with the functions of the executive power, including ministers etc., should be developed and adopted.

In October 2019, the OECD Working Group on Bribery (WGB) adopted the Third Evaluation Round report on Latvia, evaluating the implementation of 44 recommendations aimed at full compliance with the Anti-Bribery Convention. The main recommendations are aimed at assigning sufficient resources and providing expertise to those institutions, which solve, investigate and adjudicate foreign bribery cases, related money laundering and accountancy violations; strengthening the principle of inevitability of punishment of those legal and natural persons, especially in the field of finance, that are involved in foreign bribery and related schemes;

strengthening cooperation between the Bureau, State Police and the public prosecutor's office to ensure a strategic approach to the investigation of complex economic crimes; ensuring efficient supervision and monitoring of the financial sector. Accordingly, the Bureau will implement measures in the following years to ensure compliance of Latvia with the requirements of the Anti-Bribery Convention.

Latvia, as an OECD Member State, must provide support and share experience with countries from other regions, which could find our experience interesting, including by participating in various international cooperation formats, for example, OECD Anti-Corruption Network for Eastern Europe and Central Asia (ACN). So far, the Bureau has successfully performed its duties as an OECD ACN network Member State, with the Bureau's experts regularly participating in various activities of the OECD ACN Istanbul Anti-corruption Action Plan, including assessments of Eastern Europe and Central Asian countries. The Bureau will continue to implement the aforementioned activities within its capacity during the Strategy period.

Similarly, one of the key priorities for international cooperation during the Strategy period will be the implementation of the UN Convention against Corruption (UNCAC) obligations and the Second Review Cycle, which assesses Member States' compliance with Chapter II "Preventive Measures" and Chapter V "Asset Recovery" of the Convention.

Objective of the course of action:

To develop the anti-corruption policy and coordinate implementation of the recommendations given by international organisations, thus preventing unlawful actions by persons employed in public administration.

To promote closer cooperation with foreign partner services in order to gain experience in the identification and analysis of corruption risks.

Policy results:

Table 5

5. Policy results						
5.1.Result	5.2.Performance indicator	5.3. Numeric values of the performance indicator				
		Performance in 2018	Plan for 2019	Plan for 2020	Plan for 2021	Plan for 2022
5.1.1. Improved corruption perception index	5.2.1. To improve the Corruption Perception Index (score on a scale of 100, where "100" stands for "no corruption")	58	58	61	61	61

Tasks for implementing the course of action:

- 1) To analyse corruption risks in the priority fields defined by the Bureau for the next Strategy period and to develop recommendations for the mitigation of the identified corruption risks;
- 2) To coordinate and fulfill international obligations in accordance with the recommendations given within the framework of international assessment mechanisms;

- 3) To strengthen the Bureau's international cooperation with partners, especially Lithuania, Estonia, Poland and Ukraine, as well as to share experience with foreign partners within the scope of competence of the Bureau.

Other involved authorities:

No other authorities are involved.

1.5. Assessment of the Bureau's Operational Capacity

1.5.1. Information Technologies and Analytical Capacity

Trends in recent years show that more and more criminal offences are being committed using information technologies. The digital environment is used not only for planning and communicating criminal offences, but also for settlements, including bribery (amount of cash continues to decrease). The technical equipment of the Bureau must be adequate and modern, so that the Bureau is able to both, in certain cases, anticipate criminals in the execution of their criminal activities, and access all information related to the criminal offence when obtaining and procedurally fixing evidence.

In order to ensure efficient and high-quality comprehensive storage and analysis of information, it is necessary to improve the expertise of the current officials on information technologies, financial and strategic analysis. The Bureau currently does not use the most effective and modern information analysis methods to identify areas vulnerable to corruption and, through risk analysis, persons whose actions show the constituent elements of a criminal offence. Leveraging the experience of liaison bodies and partner services of other countries in the performance of strategic analysis will enable better use of the Bureau's resources.

To prevent and combat criminal offences, Bureau officials need both the appropriate skills and technical, and analytical tools. The amount of information being processed is growing rapidly, including the amount of information available in the form of open data. As a result, there is a growing need for sophisticated and modern programs and tools for data processing and analysis. In order for the Bureau to remain up-to-date with the latest trends in information processing, it is necessary to regularly update the technical equipment of the Bureau with modern and effective solutions.

1.5.2. Human Resource Management

In order to more efficiently increase its investigative and operational capacity, improve its reputation and accelerate its development as a central anti-corruption body, the Bureau drafted and adopted new Bureau regulations in October 2018. A conceptually new internal structure was established based on the Bureau regulations, which is primarily focused on the prevention, detection and investigation of criminal offences, handling of administrative proceedings, while also implementing planned anti-corruption measures.

The Bureau regulations provide that the Director of the Bureau has subordinate deputy directors, but with a clear demarcation between the areas of competences and division of responsibilities of the director of the Bureau and the deputy directors. The regulations also incorporate a solution to provide career growth opportunities for Bureau officials, providing the possibility to use the filling of positions of Inspector, Senior Inspector, Chief Inspector, Head of Unit, Head of Department or Deputy Director as additional motivation for employees.

The difference in remuneration between Bureau officials compared to other public officials working in the system of the Ministry of the Interior still hinders the recruitment of qualified and experienced personnel. In order to improve the situation,

amendments were made to the Law On Remuneration of Officials and Employees of State and Local Government Authorities in May 2018, providing additional motivation tools for employees of the Bureau:

1) service bonus (monthly bonus to the employee's monthly salary according to the length of service at the Bureau);

2) service allowance (a lump-sum allowance in the amount of three monthly salaries paid to the employee after each five years of continuous service at the Bureau), which will enter into force in 2024.

The possibility of granting statutory bonuses, supplements (for personal contribution and quality of work, special bonuses for tasks related to special risks, for extra work, etc.), as well as special allowances (leave allowance based on length of service, etc.), reimbursements and covering other statutory expenses are currently reviewed regularly based on the work performance and work priorities. Bureau officials are provided health insurance and, as of 2018, accident insurance.

The OECD Working Group Phase 3 Report published on 10 October 2019 notes that Latvian law enforcement authorities, especially those with anti-corruption functions, are severely lacking financing from the State budget, both for adequate remuneration of personnel and technical equipment²³.

Taking into account the guidelines developed by the State Chancellery, the development of a professional, efficient, modern, result-oriented public administration must continue by facilitating remote working opportunities, while complying with the functions of the Bureau, ensuring protection of the information resources and complying with the procedures laid down in the laws and regulations for the performance of remote work.

Mandatory requirements for applicants for service in the Bureau are laid down in the Law on Corruption Prevention and Combating Bureau. During the personnel recruitment process candidates must be assessed for compliance with both the mandatory requirements laid down in the Law on the Corruption Prevention and Combating Bureau (verification is performed by the Bureau), as well as the requirements laid down in the Law On Official Secret so that the public official may receive the personnel security clearance to access the official secret (verification is performed by the Constitution Protection Bureau). The personnel recruitment process is therefore lengthy and time-consuming process, consisting of two stage - the assessment of the candidate's professional aptitude (education, work experience, ability to analyze large amounts of information, decision-making ability, other skills) and assessment of the person to receive the personnel security clearance for access to the official secret. The relatively long procedure for recruitment of public officials, which can last up to 6 months, is considered a rather significant burden for the recruitment of new personnel.

To ensure that the Bureau is staffed by qualified personnel, the internal regulations of the Bureau on personnel recruitment procedure were improved, i.e. Regulation No. 1.20-4.1/11 "Selection Procedure for Candidates for the Vacant Positions" was adopted 11 April 2019, clarifying the selection types and procedure.

The Bureau will continue to implement measures to ensure competitive remuneration and additional motivating tools for the employees.

²³ Implementing the OECD Anti-bribery Convention, phase 3 report: Latvia. Available at: <https://www.oecd.org/corruption/anti-bribery/OECD-Latvia-Phase-3-Report-ENG.pdf>

During the Strategy period, further training of the Bureau's officials must be continued by conducting scheduled and non-scheduled training in the identified priority fields:

1. Investigation of financial crime in order to detect and confiscate proceeds of crime both in Latvia and abroad;
2. Combating corruption in the public sector and fraud in public procurements (construction sector and projects co-funded by the European Union);
3. Prevention and combating of corruption risks in the banking sector (money laundering);
4. The specific nature of investigation of bribery of foreign officials and related criminal offences (including jurisdiction, responsibility of legal persons, use of *forensic* and IT tool, etc.), to more actively detect and confiscate proceeds from crime in these case categories.

In order to facilitate the improvement of professional competence of the Bureau's officials, it is necessary to involve as many employees as possible in experience exchange visits and joint training with the Bureau's liaison bodies in Latvia and foreign partner services. Particular support should be given to training and experience exchange visits on the aspects and risks of money laundering, the specific nature of offshore companies and possible international cooperation, cross-border international transactions and their schemes, as well as international cooperation with law enforcement authorities within the scope of operational activities and criminal proceedings, etc.

Professional foreign language skills are a prerequisite for successful international cooperation, including cooperation with foreign law enforcement authorities. Bureau officials need to continue improving their foreign language skill, thus ensuring the strengthening of the cooperation and exchange of experience with both foreign law enforcement authorities and international organizations that Latvia has joined. Considering that the Bureau conducts operational and criminal procedural activities, as well as provides help and support to foreign cooperation partners in conducting procedural activities, the improvement of foreign language skills will facilitate closer cooperation with foreign partner services in the detection of corruptive criminal offences.

1.5.3. Work Environment

As of 2018 is situated in a building that is fully adapted to the functions of the Bureau, located at 1 Citadeles Street, Riga. The new building is included in the list of critical infrastructure, employees of the Bureau and visitors are subject to appropriate security and information protection measures. The building has a conference hall, where training for the employees of the Bureau and public officials of other institutions are organised on a regular basis.

Jaunā KNAB ēka
Citadeles ielā 1

Ēka celta 1875. gadā
Ēka atrodas Rīgas vēsturiskā centra teritorijā
Iepriekš ēkā atradās Valsts ieņēmumu dienesta Rīgas muitas reģionālā iestāde

Brīvības 104	Platība	Citadeles 1
2 503 m ²		3 756 m ²
11,5 EUR/m ²	Nomas maksa mēnesī	8,32 EUR/m ²
35 sēdvietas	Konferenču zāles ietilpība	150 sēdvietas
36 m ²	Pārrunu/pratināšanas telpu platība	86 m ²

- Konfidencialitātes nodrošināšana **Pilnībā** (Agrāk – Daļēji)
- Drošības līmeņa ievērošana **Paaugstināta** (Agrāk – Nodrošināta)
- Vides pieejamības nodrošināšana **Paaugstināta** (Agrāk – Ierobežota)
- Ventilācijas sistēma **Nodrošināta** (Agrāk – Nebija)

Image 1 Bureau building

1.5.4. Circulation and Security of Information

In the circulation of information the Bureau has established procedures ensuring the processing and protection of personal data in accordance with the applicable national and European Union laws and regulations on personal data protection. The use of external data carriers has been reduced and limited, ensuring secure exchange of data between the users and when using the information systems. During the Strategy period, it is planned to increase the number of staff performing physical security functions of the Bureau, as well as to renew the armaments for ensuring the functions of the Bureau.

As the variety of software and equipment and services increases, it is necessary to develop an assessment of its use and functions, which is to be taken into consideration, when making decisions regarding the continued use of a product or replacement thereof. To ensure that the purchased product is used appropriately, training of the responsible personnel is necessary.

The Bureau has set up a working group for the implementation of a new document management system and is identifying the technical solutions and offers that are most financially viable and appropriate to the functions of the Bureau, as well as their compatibility with existing information technology resources of the Bureau. For information exchange with other countries and foreign law enforcement authorities the Bureau used the available information gathering and analytical tools.

No disciplinary investigations regarding possible disclosure of classified information have been initiated at the Bureau in 2019.

1.5.5. Organisational Structure and Internal Procedures of the Bureau

The structure and organisation of work at the Bureau is governed by the Rules of Procedure of the Bureau. The work of the Bureau is managed by the Director of the Bureau, who is appointed (for a term of five years) and dismissed by the Seima by recommendation of the Cabinet of Ministers. The Director of the Bureau has two Deputy Directors - Deputy Director for Investigation Matters, and Deputy Director for Operational Activities.

As of 1 December 2019, the Bureau has a total of 150 positions, of which 136 positions are filled. Starting from 1 January 2020, the total number of positions at the Bureau will be 152.

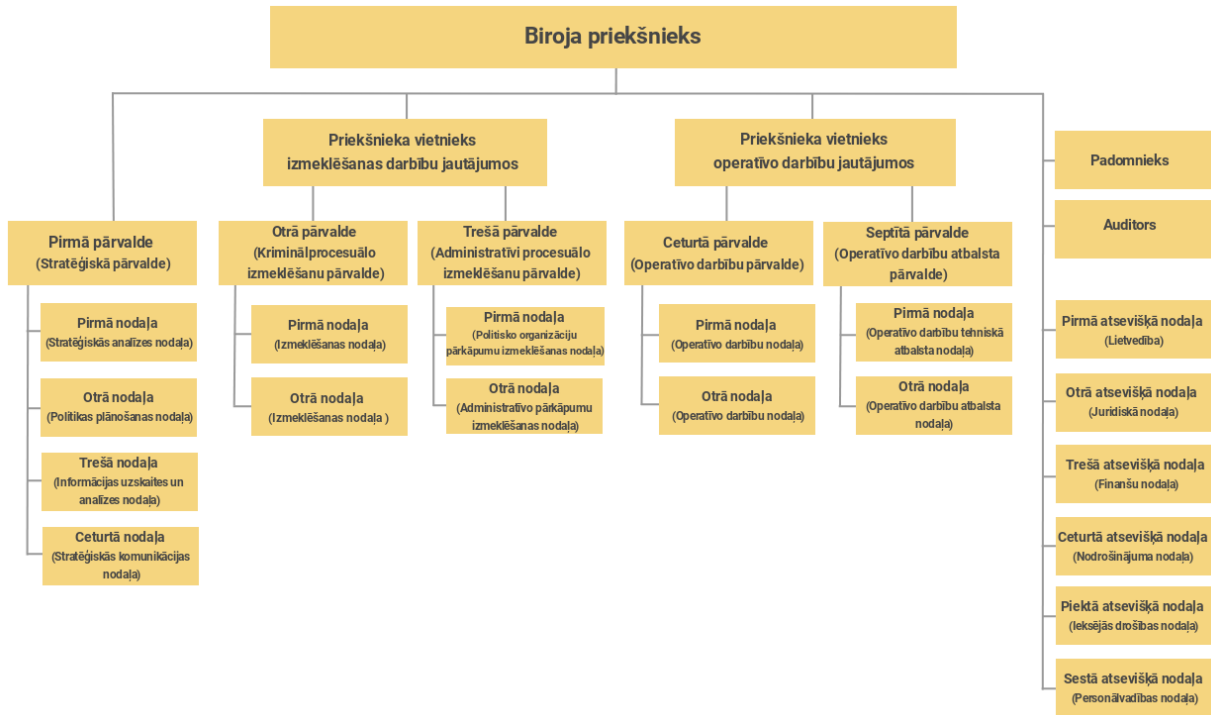


Image 2 Structure of the Bureau

2. STATE BUDGET PROGRAMMES

Table 6

State budget programmes		2020 (EUR)	2021 (EUR)	2022 (EUR)
Programme 01.00.00	Corruption Prevention and Combating Bureau	10 962 456.00	10 618 190.00	10 978 190.00
Programme 02.00.00	Ensuring operational activities	0.00	0.00	0.00
Total budget		10 962 456.00	10 618 190.00	10 978 190.00
Number of planned positions		152	152	152

As of 2020, the Bureau's budget programme 02.00.00 is being added to the budget programme 01.00.00, which will ensure more efficient and flexible planning and use of funds for operational activities.

By the initiative of the Cabinet of Ministers, financial resources in the amount of 4 531 493.00 *euro* were allocated to the base budget of the Bureau for the financing of parties. Although the allocated financial resources will be transferred to the budget of the Bureau, they are intended for the financing of political parties rather than the performance of the functions of the Bureau or its operations. These funds shall not be used for remuneration of Bureau employees, purchase of goods and services necessary for the operation of the Bureau, inter alia, the strengthening of the analytical capacity, operational activities or other activities of the Bureau.

To implement measure No. 180.2 of the Government Action Plan, which provides for the strengthening of human and material resources of the Bureau by increasing its funding and staffing by 23%, the Bureau will, during the Strategy period, propose to increase the number of positions by 35 positions and to increase the allocated funding from the national budget.

Director of the Corruption Prevention
and Combating Bureau

Jēkabs Straume