



## **CORRUPTION PREVENTION AND COMBATING BUREAU**

**We take action against corruption for the good of society and the national interest with the full force of law and public support, in order to achieve integrity in the exercise of power vested in officials of State.**

**(Mission Statement)**

## **PROGRESS AND RESULTS IN PREVENTING AND COMBATING CORRUPTION IN LATVIA**

**Periodical update**

**2013**

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In order to address corruption in an effective and comprehensive manner a single institution was set up in Latvia through the Law on Corruption Prevention and Combating Bureau (KNAB) adopted on 18 April 2002. KNAB was established in October 2002 and its work is threefold: prevention of corruption, countering of corruption and education of the society on anti- corruption matters.

In June Latvia was invited to join the OECD Working Group on Bribery. This was accomplished during several years of intense activities. For the implementation of addressed recommendations KNAB in cooperation with other institutions has developed improvements of legal framework regarding the liability of legal persons for criminal offences, including foreign bribery. Corporate liability may be imposed for offences resulting not only from a natural person's actions but also from a lack of supervision or control within the company, including state owned/controlled companies.

Taking into account that Latvia has implemented addressed recommendations and confirmed its commitment to adhere OECD Working Group on Bribery in International Business Transactions, in September 2013 OECD Council adopted the decision to invite Latvia to adhere OECD Working Group on Bribery in International Business Transactions as a full-fledged member and Anti-Bribery Convention. Those are important preconditions for Latvia to receive member state status in this international organization.

In line with the Council of Europe Group of States against Corruption recommendation amendments to the Criminal Law were drafted on active bribery in the public service and on commercial bribery respectively enabling the criminalisation of the promise or offer of an undue advantage as a completed offence, without taking into consideration the acceptance or refusal of the advantage.

Draft Law on the Transparency of Lobbying was submitted to the Government for approval in December 2013. The main objective of the draft Law on Transparency of Lobbying is to ensure public confidence that the decision making process is free from unlawful influences by disclosure of information on lobbying activities.

### ***Implementation of the anti-corruption policy***

2013 concluded implementation of the Corruption Prevention and Combating Programme for 2009-2013 and in line with the Programme assignments several important initiatives have been implemented aimed at raising integrity and enhancing integrity policy in the public sector, for example:

- 1) majority of the state administration institutions have conducted corruption risk assessment and elaborated corruption prevention plans;
- 2) administrative liability for contracting units has been introduced in the area of public procurement and public and private partnership area;
- 3) guidelines on activities to be performed if by a public official if a bribe has been offered have been developed;
- 4) disclosure of information has been introduced about administrative offences in the area of corruption prevention committed by public officials and this information is published on the websites of KNAB and the State Revenue Service;
- 5) improved protection system of persons having reported (*whistle-blowers*) about corruption violations;
- 6) established train-the-trainers system in the major state and local government institutions contributing at the same time to creation of internal training system within institutions: the State Revenue Service, the Rural Support Service, the State Police, the Rīga City Council and the National Armed Forces;
- 7) extended powers of managers of state and local government institutions in controlling possibility of conflict of interest of employees of institutions by giving authorisation to receive non-disclosable part of declarations of public officials;
- 8) state and local government institutions as well as share companies owned by these institutions have rights to check if the allocated funding to non-governmental organisations and private share companies has been used in effective manner.

### ***Tackling corruption related offences***

In 2013 investigators of the Bureau opened 33 criminal cases. 18 cases were opened on the basis of operational information received from the Criminal Intelligence Division of the Bureau, 4 cases were received from other institutions. 16 cases were sent for criminal prosecution and application of coercive measures as a punishment was initiated by investigators to four legal persons. KNAB is involved in complex corruption investigations which go beyond borders of Latvia. In order to investigate these complicated cases in 2013 KNAB has prepared and sent 22 requests for mutual legal assistance to 13 foreign countries.

In the framework of criminal cases damage of 277 461 EUR and 4, 2 million EUR was established. Further, 540 694 EUR were attached for the purpose of confiscation.

During first half of 2013 alleged cases of bribery were discovered in Riga and

Daugavpils municipalities. In Riga City Council bribes to municipal officials were given regarding the lease of land (the bribe in amount of 100 000 EUR) and city's public transportation, whereas in Daugavpils regarding reconstruction projects of heating system (the bribe's amount at least 120 000 EUR).

In 2013 pre-trial investigation of so called "Daimler" case was completed and sent for criminal prosecution requiring charges against 7 persons for alleged bribery of public officials and large scale money laundering. During the pre-trial investigation evidences concerning four additional bribery offences in the public procurement were collected. Total amount of bribes is more than 6 million EUR.

Pre-trial investigation was completed and forwarded to the Prosecutor's General office in an extensive case regarding illegal activities of two judges for misuse of the office for the purpose of gaining undue advantage. During the investigation evidences collected by KNAB give sufficient grounds to believe that Riga District Court's judge and Riga Regional Court's judge were involved in alleged long-term offences. It is considered that since 1995 several employees in the court were fictitious and their wages were used for private purposes. Accordingly the loss done to the state is considered in amount of more than 234 775 EUR.

In 2013 KNAB investigators have also forwarded to the Prosecutor's General office the case of alleged bribery of public official of the State Revenue Service. It was requested to initiate criminal prosecution against board member of the company who has offered and given a bribe in amount of 3557 EUR for not continuing inspections in the company.

Alleged bribery case regarding State Revenue Service public official in the Customs Criminal Board was detected, when the bribe was requested and accepted through intermediaries in amount of 4000 EUR to ensure favorable decision in particular criminal case.

11 rulings of the court entered into force in 2013 concerning 19 persons and all the persons were found guilty and convicted. By the 31st of December of 2013 in different court instances 40 cases concerning 144 persons were reviewed.

### ***Prevention of conflict of interest***

Control over activities of public officials and prevention of conflict of interest is one of the main functions of KNAB. KNAB has powers to examine whether public officials follow provisions of the law "On Prevention of Conflict of Interest in Activities of Public Officials" (the Law) and to enact charges in cases when breaches of the Law are detected.

In 2013 KNAB has reviewed activities of 775 public officials as well as 1166 public officials' asset declarations in accordance with the Law. Controlling activities of public officials in prevention of conflict of interest in 117 cases decisions of violation of the Law were detected. 77 public officials were fined in total amount of 8345 EUR. In 29 cases public officials were verbally reproached.

In 2013 most (70%) detected violations of the Law are regarding state officials, who have failed to observe restrictions concerning additional employment thus gaining unauthorized income. Other cases (16%) are regarding state officials have performed

their duties under circumstances of conflicts of interest and also have failed to observe restrictions concerning additional employment.

During inspections of public official's asset declarations it was detected that in two cases alleged failure to follow the procedure occur. This information has been forwarded to the State Revenue Service. In one case it was detected that income of public official or its relative is not compliant with their expenses, thus this information also was sent to the State Revenue Service. During 2013 KNAB has requested one personal audit as well as requested to examine one case when employee was not determined as a public official.

### ***Control of political parties financing***

KNAB is the authority in charge of monitoring political parties' compliance with party financing rules and pre-election campaign violations of which are subject to sanctions.

In 2013 KNAB has ensured the inspection of donations for the political parties and reviewed their reports about revenues and expenses in 2012 and 2013. After municipality elections in June 2013 donations for the political parties decreased considerably. In the second half of 2013 donations for the political parties were done in the amount of 649 274 EUR. This number is four times smaller than it was done during the first half of the year – before municipal elections. In 2013 the total amount of donation to political parties was three times larger than previous year.

In 5 cases decisions of reimbursement of donations totalling 115 059 EUR were taken as those donations were established received in contradiction with the effective regulation.

In line with the state funding policy for political parties last year five political organisations received 511 789 EUR for daily activities from the state budget.

In April 2013 court ruling on administrative sanctions for the Reform party (*Reformu partija*) entered into force stipulating that allocated state funding is terminated from the date of entering into force of the court ruling. This sanction was applied due to detected transactions in 2011 amounting 54 137.73 EUR which were not indicated in the income and expenditure declaration of the Reform party.

After adoption of the amendments in the Law on Financing of Political Organisations (Parties) all the donations to political parties origin of which is not identified by the donator shall be transferred directly into the state budget and not returned to the contributor. With entering into force of the new Pre-election campaigning law on 1 January 2013 unified campaigning rules are applicable before local government, Saeima elections and elections to the European Parliament, including ban to use administrative resources.

For breaches of rules regarding pre-election campaigning 26 political parties were sanctioned in amount of 1963 EUR. In other 11 cases parties were verbally reproached. After compilation and evaluation of all information regarding municipal elections KNAB has concluded that none of political parties violated restrictions setting limits to the financing of political parties.

### ***International cooperation***

One of the most important achievements in the international cooperation was achieved in June 2013, when Latvia was invited to join the OECD Working Group on Bribery. For the implementation of addressed recommendations

Taking into account that Latvia has implemented addressed recommendations and confirmed its commitment to adhere OECD Working Group on Bribery in International Business Transactions, in September 2013 OECD Council adopted the decision to invite Latvia to adhere OECD Working Group on Bribery in International Business Transactions as a full-fledged member and Anti-Bribery Convention. Those are important preconditions for Latvia to receive member state status in this international organization. In October 2013 representatives of KNAB together with representative from the Ministry of Justice for the first time participated in the meeting of OECD Working Group on Bribery as full-fledged members. As a full-fledged member of the Working Group Latvia will be able significantly increase its ability to combat bribery in international business transactions, to contribute for the arrangement of the business environment.

In 2013 KNAB continued to ensure Latvia's compliance review regarding implementation of the United Nations Convention against Corruption Chapters III and IV (legislation and its practical application in international cooperation, criminalization and law enforcement) during the onsite visit. KNAB experts were in a team for reviewing Slovenia's and Algeria's evaluation of the compliance with UNCAC.

KNAB representatives as GRECO (the Council of Europe Group of States against Corruption) experts participated in GRECO IV Evaluation Round on prevention of corruption in parliament, judicial system and prosecution office in Norway and examined implemented measures with regards to the III Evaluation Round (Incriminations and Transparency of Party Funding) recommendations in Ireland.

KNAB has welcomed several delegations from such countries as Georgia, Moldova, Jordan, Romania, Montenegro, and Uzbekistan and shared the experience and expertise on anti-corruption related issues.

### ***Awareness raising and education***

In 2013 awareness raising and training on issues of the prevention of interest's conflict, ethics and internal control was provided to more than 3000 participants in 91 events.

In February 2013 following the results of surveys the KNAB launched anti-corruption campaign addressing problems and subsequent consequences of undue payments in the health care sector. The objective of the campaign was to affect the considerably high level of acceptance of illegal payments in the society with regards to services provided in the health care and to encourage reporting about extortion or request of illegal benefits from patients.

Development of the new approach of "train the trainers" was implemented by KNAB. In the framework of this new approach the training of designated officials from other

institutions is provided and officials having received this training deliver further the knowledge within the respective institutions thus reaching more public officials.

Development of e-training modules for trainers was also started in 2013 along with tests for examining the level of knowledge of public officials and employees in state institutions. It is planned that on the website of KNAB interactive tests will be available. In addition two electronic leaflets were issued by KNAB addressing latest developments in the anti-corruption area.

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