



**Corruption  
Prevention and Combating  
Bureau**

**PUBLIC  
REPORT**

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### **Mission Statement**

*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.*

### **Dear Reader,**

The Corruption Prevention and Combating Bureau is one of the newest institutions in Latvia, but it has gained considerable popularity in the society by performing its activities. We are aware that the expectations of the public are also high that we should deliver quick and efficient results in combating corruption, since intolerance towards misuse of public office by officials in their personal interest has accumulated over many years.



Already now we have obtained important results in detecting cases related to political corruption and involving members of the judiciary, as well as in preventing illegal squandering of state or municipal property. Since the Bureau was set up, the risk has increased considerably to be brought to trial for committing corruptive criminal offences or acting in a situation of conflict of interest. In other words, the results achieved in combating corruption have also become an efficient deterrent to corruption.

In pursuing our work, we witness a trend of repeated violations; replacement of one official by another is not a sufficient remedy. Therefore, even more efforts must be given to systemic improvements in the functioning and decision-making processes in the public administration and local governments with the aim of creating conditions that would lessen discretion of public officials.

In the future, the Bureau intends to work more actively in the area of prevention of corruption taking measures to minimize the risks of corruption in state and municipal institutions, including improvement of the existing legal provisions and elaboration of new draft legal acts.

Information and education of the public and public officials will be expanded even more in order to develop shared understanding that corruption has distorting effects on the life of our whole country. Intolerance by all of us against corrupt activities, as well as responsible attitude by each citizen is essential for the reduction of corruption.

Looking forward to consistent support from the public -

*Aleksejs Loskutovs*  
Director  
Corruption Prevention and Combating Bureau

## Introduction

Corruption Prevention and Combating Bureau (henceforth – the Bureau) has been able to identify a number of important problems during the three years of its existence, which distort fair use of the power entrusted in the officials for the interests of the State and the society, has taken measures to fight against the consequences caused by corruption and has facilitated the introduction of corruption prevention systems in state and municipal institutions. The Bureau has been very active also in drawing up of various legislative initiatives and promoting their adoption both in the field of financing of political parties and monitoring of income of public officials.

The year 2005 will be definitely marked in the history of combating the corruption with the first detected case of political corruption, which was related to bribery during the election of the mayor of Jurmala City. Revealing of the circumstances in the case to the public showed the strong disapproval of such illegal action among the citizens and, hopefully, has raised awareness also among representatives of the political elite.

In general, the scope of work of the Bureau has increased considerably. The progress achieved by our officers in charge of investigations in detecting an increasing number of cases of corruption or conflict of interest, fosters the trust of the society in the work of the Bureau and reaching a common understanding that the impunity of law breakers is not possible anymore.

The opinion poll of the population of Latvia in 2005 witnesses a strong increase in the confidence in the work of the Bureau. The public mentions the Corruption Prevention and Combating Bureau among the ten fairest institutions in Latvia.

Scope of work has increased considerably also with regard to disputing and appealing of decisions made by the officials of the Bureau in administrative violation matters. Taking into account the fact that activity of persons found administratively liable in defending their legal interests in a higher institution and in court is only increasing, the amount of work in this area will most probably not decrease.

By evaluating the amount of work of the Bureau, it must be also taken into account that the number of public officials is constantly increasing in our country. Subsequently, is increasing the number of those persons monitoring and supervision of whom is in the competence of the Bureau. Currently, it has risen almost to 70,000 public officials.

Meanwhile, it is recognised that the level of legal awareness in the Latvian public administration and the society is quite low, as well as unawareness of own rights or responsibilities. There are examples of negligent attitude by some

officials towards the duties that they are entrusted to perform, insufficient control of their work, lack of knowledge about legal and regulatory norms, as well as sometimes unwillingness to get better acquainted with them. As result, often public officials carry out their duties in a situation of conflict of interest out of lack of knowledge or due to negligence. It is also caused by weak internal control of institutions and the fact that heads of many institutions do not fulfil their duties established by the law in the area of prevention of conflict of interest, thus slowing down the prevention of conflict of interest and corruption.

The tasks set out in the National Programme for Corruption Prevention and Combating for 2004-2008 envisage assessment of possible corruption risks in each state and municipal institution and implementation of internal anti-corruption plans. However, the Bureau has found out that there are still a number of institutions that are negligent to the implementation of these tasks and such plans have been elaborated formally in some cases and they have not become efficient internal control mechanisms. Heads of institutions stress insufficient financial resources as one of the obstacles for introduction of an efficient internal system: establishing of an internal control system is creating additional workload in their institution and need for new job vacancies.

Drawing on its experience, the Bureau has identified several legal provisions that have become obsolete and insufficient in the current situation, for instance, in Law "On Prevention of Conflict of Interest in Actions of Public officials". There are cases when due to insufficient legal regulation, it is not possible to charge public officials found guilty with liability for their violations, allowing them to avoid being sanctioned.

Besides, application and enforcement in practice of particular provisions of the Criminal Law, the Law on Financing of Political Organisations (Parties), and Laws "On Pre-election Campaigning before the Election of Saeima (Parliament) and the Election of the European Parliament" and "On Pre-election Campaigning before the Election of Local Governments" cause important problems, and the public gets an impression that activities of officials remain unpunished and that only the poor and the weak rather than wealthy and strong ones are brought to trial. Therefore, in order to diminish such risks as much as possible, the Bureau is drafting amendments to the existing legal acts and develops new draft laws that could create sound and sufficient rules in the areas, which have been not regulated until now.

Since the beginning of operation of the Bureau in 2003, the monitoring of political organisations (parties) financing has improved considerably both in terms of its legal and regulatory basis and the practical application. Work in the area of monitoring of financial activities of political parties has been one of the priorities for our Bureau. Recent studies indicate that there is a comparatively high level of "state capture" in Latvia: a situation when political organisations,

as a result of necessary financing, become closely dependant of various economic groups. In this light, important amendments to the Law on Financing of Political Organisations (Parties) were adopted prohibiting donations of legal persons to parties and restrictions in respect to pre-election expenses of parties were stated. Due to the above-mentioned reasons, the year 2005 has been significant for the monitoring of political organisations financing, since the first elections after adoption of the said amendments were held in March.

Another important step for improvement of the financing of parties could be the adoption of the new Law “On Pre-election Campaigning”, but it is still being delayed. The draft law provides a procedure in accordance with which mass media shall ensure free campaigning of candidates to election, place campaigning materials in the media during the pre-election period, and – a particularly essential provision for the Bureau – includes a list of indicators of pre-election agitation and provides for the monitoring.

In the coming year 2006, the Bureau plans to carry out a wide public awareness raising campaign in the media. Objective of this campaign will be to improve the understanding both in the public and among officials about negative effects of corruption, to promote intolerance against the bribe-takers and to discourage from involvement in illegal payments.

In addition to educating the public, it is also planned to further study approaches in other countries how to examine persons applying for top-level public offices prior to their appointment, develop improvements of legal basis for protection of persons reporting corruptive offences and violations and study legislation providing for criminal offences related to corruption in the public service, identifying main obstacles for its enforcement. The work aimed at developing regulation of lobbying in Latvia will be pursued. The Bureau also plans to assess efficiency of internal control systems and anti-corruption measures in state and local governmental institutions.

## **Status and functions of the Bureau**

The Bureau is a public administration institution under the supervision of the Cabinet of Ministers. It is performing the following functions defined by the Law in the areas of prevention and fight against corruption and monitoring of compliance of political organisations (parties) and their associations with party financing regulations:

### **Prevention of corruption and education of the public**

In the area of prevention of corruption, the Bureau shall develop the National Strategy and the National Programme for Corruption Prevention and Combating, and co-ordinate collaboration of institutions mentioned in the programme to secure its implementation. The Bureau shall elaborate methodology for prevention and combating of corruption in state and local governmental institutions, as well as in the private sector. The Bureau shall analyse practice of state institutions in corruption prevention and detected cases of corruption and develop proposals for further improvement.

In order to diminish loopholes in the legislation leaving opportunities for corruption, the Bureau shall analyse the laws in place and draft legislation, suggesting amendments and submitting proposals for elaboration of new laws.

### **Prevention of conflict of interest of public officials**

The Bureau shall monitor prevention of conflict of interest in activities of public officials, as well as observance of the incompatibilities and additional restrictions for public officials provided for in legislation. In case when any violations of the provisions of Law “On Prevention of Conflict of Interests in Actions of Public officials” are detected, the Bureau shall charge public officials with administrative liability: the Bureau investigates cases of those administrative violations and imposes administrative sanctions falling in its competence in accordance with the Administrative Violations Code of Latvia.

### **Monitoring financing of political organisations**

The Bureau shall monitor compliance with party financing regulations by political organisations and their associations and in cases determined by law shall charge persons that are found guilty with administrative liability. The Bureau shall centralise and analyse information provided by political parties in the declarations, violations found in the process of their submission and incompliance with any other restrictions provided by law. The Bureau shall inform the public of any discovered violations of party financing regulations by political organisations (parties) and their associations and preventive steps taken at least on an annual basis.

**Fight against corruption (investigation)**

The Bureau shall carry out investigation and criminal intelligence in order to detect criminal offences in public service, as well as offences related to financing of political parties, as determined in the Criminal Law.



## Results achieved

In 2005 significant work was done to improve the monitoring of income of natural persons. The Cabinet of Ministers accepted the concept “On Improving Control over Income of Natural Persons” on 29 September 2005. The concept was developed by the working group led by the Bureau, which reviewed several options and decided to support the proposal to introduce a general annual income declaration. Implementation of this proposal, which was supported by the Government, would allow improving control over income and property of natural persons. In the course of this year, the management of the Bureau discussed proposals reviewed by the working group with members of the Government and the State Revenue Service. President of the State, Vaira Vīķe-Freiberga was also introduced with the draft concept.



Meeting of President of the State, Vaira Vīķe-Freiberga, and the Head of the Bureau, Aleksejs Loskutovs.

Photo: Agnese Gulbe, LETA

In 2005, in accordance with the decision of the Cabinet of Ministers, the Bureau elaborated the draft Law “On Financing of Elector Associations”, as well as drafted several other draft legal acts regulating the procedure of financing of electors’ associations and having in common the goal to ensure equal treatment of parties and electors’ associations during election of local governments.

The working group of the Bureau developed the Draft Law “On Leasing of the Property of the State and Local Government”; its purpose is to introduce detailed regulation in leasing state and municipal property.

Other important issues of legislation have been addressed in 2005 that are related to accession of Latvia to several international conventions: the United Nations Convention against Corruption, the Additional Protocol to the Criminal Law Convention on Corruption of the Council of Europe, and the Council of Europe Civil Law Convention on Corruption.

In 2005, the Bureau has prepared 202 opinions about external draft legal acts. The Bureau has submitted its proposals about 15 draft laws to commissions of

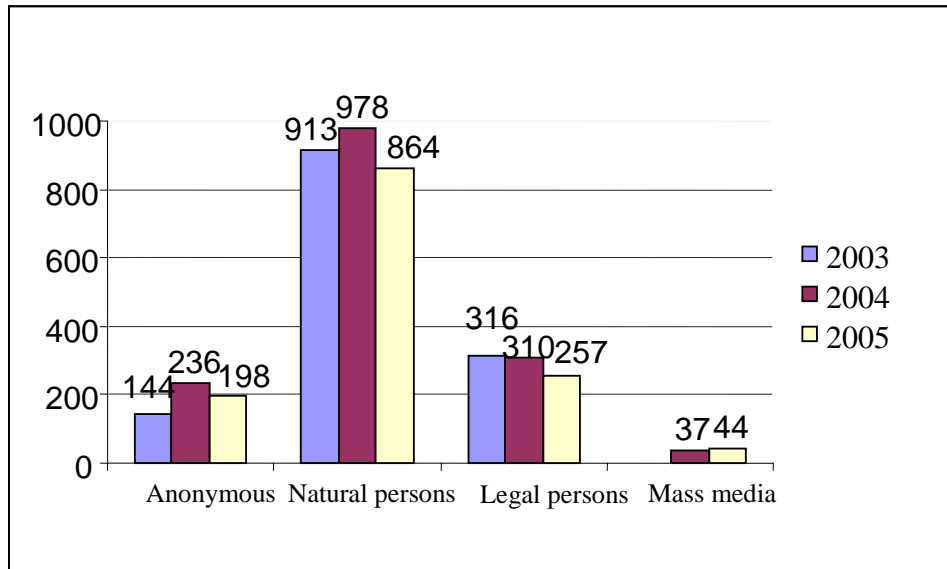
Saeima (Parliament). When submitting its proposals about the Draft Law On Public Procurement, the Bureau has drawn attention to increase of the risk of corruption and squandering of the state and local government funds in case, if the law would be applied only to procurement procedures with contract price starting from LVL 10,000 instead of currently set amount of LVL 1,000. The Bureau suggested reducing the limit of the contract price set in the draft law or to provide a separate procedure for procurement up to LVL 10,000. The Bureau also believes that the Procurement Monitoring Bureau, which is in charge of monitoring procurement procedures, must have rights to issue administrative protocols, when it discovers violations in the area of procurements for which administrative liability has been provided for in the Latvian Administrative Violations Code.

The Bureau has submitted proposals on amendments to the Construction Law and the Administrative Violations Code of Latvia related to violations of construction regulations, amendments to Law “On Prevention of Conflict of Interest in Activities of Public Officials”. In order to eliminate the deficiencies found in the existing law and diminish possibilities of different interpretations of the provisions of the said Law, the Bureau has developed a new Law “On Prevention of Conflict of Interests in Activities of Public Officials”.

Within the framework of the European Union *Phare* project “Development and Strengthening of the Corruption Prevention and Combating Bureau”, 15 contracts were concluded in 2005, in accordance with which by end of 2005 new equipment was provided to the Bureau in order to strengthen its capacities for corruption prevention and combating for approximately LVL 160,000.

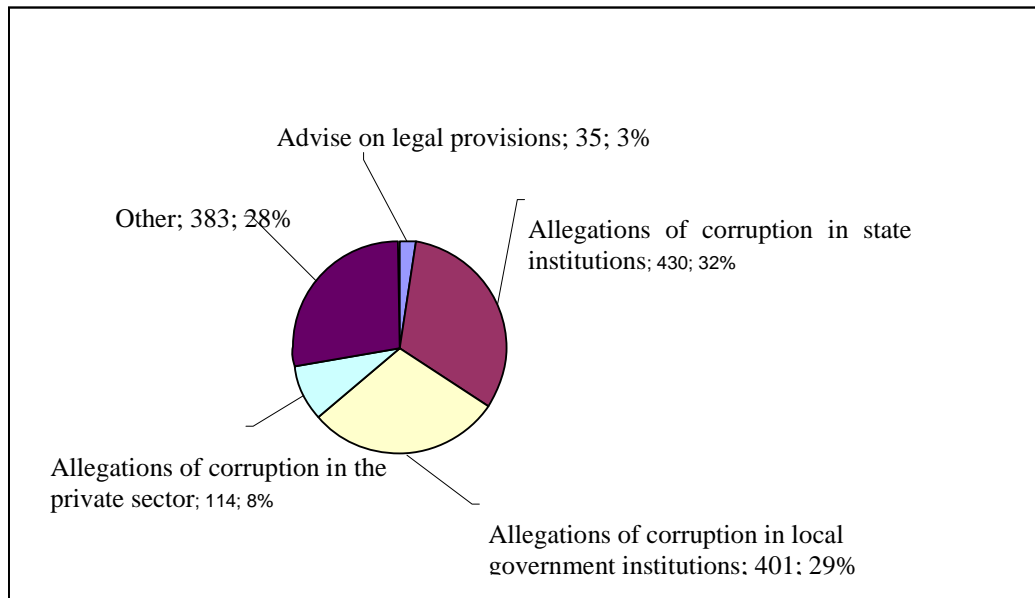
In 2005, the Bureau sent 9,946 documents to state and local governmental institutions, natural persons and legal entities. Bureau received altogether 8,642 documents, from those **257** reports from legal entities, **864** – from natural persons, and **198** anonymous complaints about possible corruptive activities by public officials or with a request to provide advice on legal provisions; the Bureau started inquiry on the basis of information published by mass media in 44 cases.

**Figure 1. Reports received by the Bureau, 2003-2005**



Most often, reports filed in the Bureau contain allegations of corruption in public institutions (430); almost the same number of applications (401) refer to violations in activities of local government officials, information about possible illegal actions in the private sector has been received only in 114 cases, and the Bureau has received requests for explanation of legal provisions in 35 cases, but the remaining 383 complaints have been submitted for other violations.

**Figure 2. Structure of reports received by the Bureau in 2005, per contents**



The Report Centre of the Bureau has received 276 visitors in 2005, and has received information in 1,514 cases via the free hotline (**8002070**); in **17** cases, information was provided about a violation or indications of a criminal offence, which is under the competence of the Bureau or other institutions.

## Results in corruption prevention

### Implementation of the National Strategy and Programme for Prevention and Combating of Corruption

In 2005, the Bureau made important progress in co-ordinating the implementation of the tasks set out in the National Programme for Prevention and Combating Corruption 2004 – 2008 (henceforth – the National Programme).

In order to ensure the implementation of the tasks set in the National Programme, the Bureau has centralised internal anti-corruption plans from 208 state and local governmental authorities and has drafted a report on their implementation. Plans of anti-corruption measures in institutions under the Ministry of Health and the State Police have been discussed by the Public Consultative Council of the Bureau.

In accordance with the National Programme, several institutions, including all Ministries, have commenced elaboration of codes of ethics or conduct or improvement thereof, as well as aligning of internal regulations.

The Bureau has drawn up Informative Report “Implementation of the National Programme for Corruption Prevention and Combating for 2004-2008”, which summarises information about progress made during the period from its approval on 3 August 2004 – 31 October 2005.

The Bureau has gathered information about 100 measures set out in the National Programme: 30 measures have been fully implemented, 38 are fulfilled on a continuous basis, 23 have been fulfilled partially, and 9 not implemented due to lack of time or financial resources. Since adoption of the National Programme, two thirds of the measures set out in the Programme have been implemented.

The following four priorities should be marked out among the completed tasks of the National Programme:

- *Liability of members of public procurement commission* has been set more precisely by adopting amendments to Law “On Prevention of Conflict of Interests in Actions of Public officials” by the Parliament on 15 December 2005: a member of the public procurement commission is a public official, and the restrictions and incompatibilities provided by law shall be applicable to them. In most cases, the status of a public official has already been applied to such persons also earlier. The above-mentioned amendments will prevent previous disputes as to whether the members of these commissions are public official or not that arise with some heads of public institutions who did not include them the lists of public officials,
- *Improvement of the system of monitoring personal income and expenditure, in order to prevent and discover cases related to corruption.*

The interagency working group led by the Bureau developed the concept “On Improvement of Control over Income of Natural Persons”. Draft regulation of the Cabinet of Ministers and the draft concept were adopted by the Cabinet of Ministers on 29 September 2005. The Bureau held a press conference on 2 May 2005 during which the economic effect of introducing the new system was presented to mass media. Commanded by the Bureau, an economic assessment of the draft concept was prepared by the Institute of Economics of the Latvian Academy of Sciences, under the guidance of Dr. econ. Raita Karnīte and Jānis Grasis, the Associate Professor of the Banking Institution of the Higher Education, PhD student of the Law Department of the University of Latvia; the assessment outlined that the potential direct economic effect from introduction of the concept would be several hundred million lats annually as previously uncollected personal income tax, which would compensate the costs of implementation of the concept several fold. The concept outline causes of problems in the area of control over personal income that in turn cause significant problems in the area of prevention and combating of corruption in Latvia: the difficulty to prove the lawfulness of acquisition of property or source of income of public officials or their relatives in cases when unverifiable or old sources are indicated. Therefore, by improving the whole system of personal income declaration, the possibility of clarifying the actual status of property, as well as legality of property and the source of income of public officials and their relatives in efficient way will be ensured simultaneously. Although a strict declaration system for public officials has been gradually introduced since 1995, officials still sometimes use weaknesses of legislation to veil information about source of their income and actual possessor of their property,

- Preventing corruption in the area of public services (medicine, education, revision and audit, expertise, advocacy). Draft Laws “Amendments to the Latvian Administrative Violations Code” and “Amendment to the Criminal Law” were reviewed by Saeima in the 2<sup>nd</sup> reading on 22 September 2005. Amendments to the Latvian Administrative Violations Code provide for administrative liability of medical personnel for advisedly illegal receipt of material values, property or other benefit for medical services. In addition, amendments to the Criminal Law should provide for criminal liability for asking and taking illegal payments by persons working in the health sector,
- Development of anti-corruption measures in public institutions. Internal plans with anti-corruption measures have been developed in almost all institutions; these plans need to be regularly updated. The purpose of such plans is to prevent corruption and decrease corruption risks within the institution; they have to contain detailed description of the necessary preventive steps. In preparing an anti-corruption plan, possible corruption risks within the particular institution must be evaluated. The plan should also contain measures to ensure the respect of Law “On Prevention of

Conflict of Interests in Actions of Public officials”. A number of difficulties remain to implement this measure of the National Programme. Lack of resources for strengthening of internal control and for training of management is one of them.

While it is foreseen in the National Programme to develop legal provisions establishing liability of persons who have committed violations of the procurement procedure, this measure has not been implemented yet. The implementation of this measure is assigned to the Ministry of Finance. Also, in 2005 the necessary draft laws on amendments to the Latvian Administrative Violations Code have not been submitted to the Cabinet of Ministers. In this area, the Bureau proposed extending the competence of the Procurement Monitoring Bureau (henceforth – the PMB) to allow it to determine administrative liability for violations of the procurement procedure. Already now it is the competence of the PMB to monitor the lawfulness of procurement procedures of contracting parties and public service providers. Hence, it should be the responsibility of the PMB to issue protocols of administrative violations and charge persons with liability when detecting violations in the area of procurement, for which liability is determined by the Latvian Administrative Violations Code.

The measure foreseeing training of state institutions and local governments on how to provide information to the public about preparation and execution of the budget has not been fulfilled since no funding has been granted for (responsible institution: the Public Administration School).

There is also a delay in preparation of comments of the Administrative Procedure Law of Latvia foreseen in the National Programme. A working group is currently developing proposals for amendments to the Administrative Procedure Law. The draft law is voluminous and elaboration of comments to the Law is therefore deemed useful only after adoption of the amendments by Saeima (responsible institution: the Ministry of Finance).

The most common challenges facing institutions in fulfilment of the measures foreseen by the National Programme are insufficient financial resources and time, but in certain cases also uncertainty about the content of the measures. Insufficient financial resources mainly prevent from fulfilment such measures that are related to production of free informative materials and inviting of lecturers for training, and development of training manuals.

Informative Report about the implementation of the National Programme was submitted to the Cabinet of Ministers on 6 December 2005. It was sent for information to all members of the Cabinet of Ministers and other participants of the meeting of the Cabinet of Ministers on 22 December 2005 (the report was not reviewed by the Cabinet of Ministers).

Given the persistent corruption risks in the area of lobbying in Latvia, an inter-institutional working group under the leadership of the Bureau has been formed according to a decree of the Prime Minister. Its aim is to develop a draft concept for improvement of the legal regulation of lobbying in line with proposals set out in the National Programme. The working group comprises representatives of the Administrative and Criminal Law Department of the Ministry of Justice, the Policy Co-ordination Department of the State Chancellery, the Saeima Commission for the Supervision of Prevention and Combating of Corruption, Smuggling and Organised Crime; limited liability company “Consensus PR”, and Public Policy Centre “Providus”.

To analyse trends in violations related to corruption detected in the public service, the Bureau has gathered information from 23 institutions about corruptive disciplinary violations, and dawn up a report about violations in the public service in 2003-2004.

## **Prevention of conflict of interest of public officials**

In 2005, the Bureau has received **712** requests and complaints about possible violations of the Law “On Prevention of Conflict of Interests in Actions of Public officials” by public officials, which is by 142 more comparing to 2004 and by 217 more comparing to 2003. In the same time, the number of the staff that works in the Division that supervises the enforcement of the abovementioned and other Laws providing for restrictions to public officials remained unchanged – **14**. Answers have been prepared to **474** requests and complaints, **231** investigations have been made in various state and local government institutions.

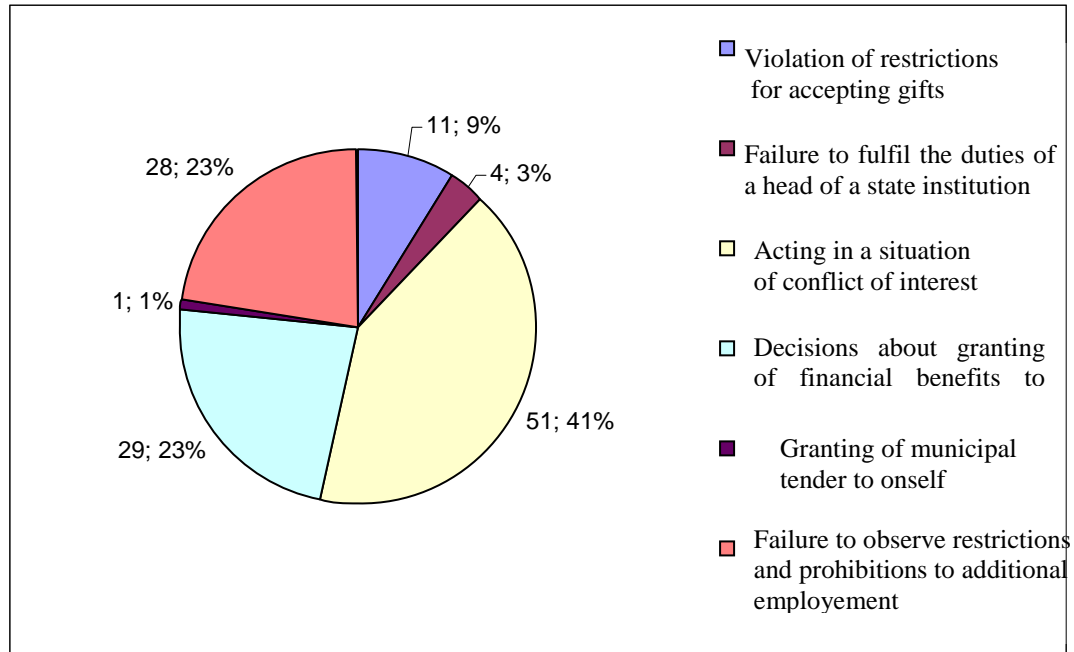
In reviewing requests and complaints submitted by the public about possible activities of public officials in a situation of conflict of interest, are used the asset declarations of public officials. During the examination, **1,096** declarations have been requested from the State Revenue Service (henceforth – the SRS) and **843** declarations have been examined (also, by using VADIS, the data basis of public officials’ declarations of the SRS), by checking in total **522** declarations.

Comparing to previous years, the number of public officials who have received administrative sanctions has increased in 2005. In 2005, **109** public officials have been charged with administrative liability for failure to observe the restrictions provided in the Law “On Prevention of Conflict of Interests in Actions of Public officials” compared to 74 in 2004 and 18 in 2003. A total amount of fines in 2005 was LVL **7,705**; **28** public officials have appealed against the decisions made by the Bureau. In **4** cases, it was decided to terminate administrative violations proceedings in accordance with the Latvian Administrative Violations Code. **11** public officials received verbal reprimand according to the Section 21 of the Latvian Administrative Violations Code.

There were **11** more cases when administrative violation in activities of public officials was determined, but it was not possible to start proceedings, because the term stipulated in the Latvian Administrative Violations Code for application of an administrative penalty – one year since its commission – had passed; in these cases officials received a written warning stating that it would be inadmissible to repeat the violation.



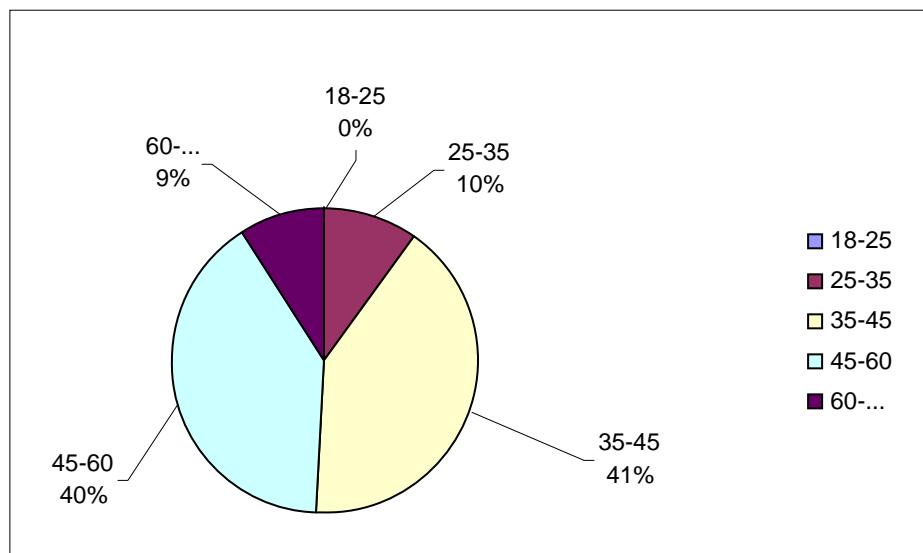
**Figure 3. Structure of the violations detected in 2005**



In most cases, officials have received administrative penalties for non-observance of the provisions of the Section 11(1) of Law “On Prevention of Conflict of Interests in Actions of Public officials”, which provides that a public official is prohibited, in the performance of his public duties, to prepare or issue administrative acts, perform the supervision, control, investigation or sanctioning, enter into contracts or perform other activities that represent personal or economic interest to public officials, their relatives or related persons. Most common violations: granting of advantages to themselves or their relatives, performance of control or supervision functions in matters in which such public officials, their relatives or counterparties are personally or financially interested (for example, by employing relatives in direct subordination to a public official, entering of contracts with an undertaking owned by a relative or a counterpart).

Another common violation is related to special restrictions for public officials to combine public office with other jobs that are provided for in Section 7 of the Law “On Prevention of Conflict of Interests in Actions of Public officials”.

**Figure 4. Administratively sanctioned persons, per age group**



Section 30 of the Law “On Prevention of Conflict of Interests in Actions of Public officials” provides that civil liability of public officials for violations of the Law, *i.e.*, any income or other financial benefits obtained by violating the restrictions provided in the Law shall accrue to the State. In 2005, **36** officials have been requested to compensate voluntarily the losses caused to the State in the amount of LVL **11,479.60**; **7** officials have compensated the losses caused to the State in the amount of LVL **6,651.57**.

In **11** cases, information has been sent to the SRS for provision of false information in declarations of public officials in view of charging such officials with administrative liability.

During checking of the compliance of income and expenditure of public officials, it was discovered that income of public officials and their relatives in **31** cases, possibly, were not corresponding with their expenses therefore the proceedings about 31 persons were forwarded to the SRS for examining the legality of such persons’ income, in accordance with Section 22 of Law “On Personal Income Tax”. In 2005, the SRS had initiated audit of the personal income tax of 19 persons following a suggestion of the Bureau. As a result of the audit of income tax, the SRS made decisions about calculation of additional taxes and application of fines to natural persons and legal entities, for a total amount of LVL **28,059.20**.

By examining the compliance of activities of public officials with the provisions of Law “On Prevention of Conflict of Interests in Actions of Public officials”, indications of possible violations were found in **25** cases, and investigation materials were referred to the Corruption Combating branch of the Bureau for evaluation and for further investigation. Two criminal procedures were started during this period after referring case to the Investigation branch of the Bureau.

Information involving **29** state and local government institutions was referred to the SRS to examine, according to its competence, facts of non-inclusion of public officials of these institutions in the lists of public officials in order to ensure that all officials submit their asset declarations. As a result of SRS investigations, **32** public officials were added to the lists of officials in 2005, but the SRS applied sanctions to heads of **6** state and local government institutions for non-inclusion of persons in the lists of public officials.

In **98** cases when a violation of the regulations was detected in activities of public officials, the enforcement of which is not under the competence of the Bureau, information was referred to the competent institutions – the State Control, the Ministry of Finance, the State Revenue Service, the State Civil Service Administration, the State Labour Inspection, the Ministry for Regional Development and Local Governments, the Prison Administration under of the Ministry of the Interior, the Ministry of Defence, the Security Policy, and other state institutions – for pursuing the investigation or providing advice.

Pursuing its work and analysis of regulation, the Bureau noted that decisions made by public institutions and local governments on lease of property do not always correspond to the public interests and may be made by taking into account interests of some individual applicant. This is possible due to insufficient legal regulation. By analysing the current situation, the working group under the guidance of Alvis Vilks, the Deputy Director of the Bureau concluded that the regulation was insufficient: a procedure for leasing of property, the transparency principle and criteria for selection of applicants was not provided clearly thus failing to ensure uniform practice in leasing of property of the State and local governments, as well as equality among potential applications for leasing of such a property. Therefore, the working group developed a Draft Law “On Leasing of Property of the State and Local Governments”, which was submitted for comments to the responsible institutions at the meeting of the State Secretaries on 27 June 2005. The Draft Law provides the procedure for leasing of property of the State and local governments: methods of granting the right of lease, the procedure of making decisions about leasing of property, publishing of information about property available for lease and possibilities of its lease, granting of the rights of lease to property of the State or a local government in an auction or the general regulation of tenders, appointing of persons responsible for lease, and restrictions to officials of lease commissions.

Representatives of the Ministry of Economics, the Ministry of Regional Development and Local Government, Riga City Council, and the Latvian Chamber of Commerce and Industry, as well as representatives of the Association of the Latvian Local Governments participated in elaboration of the above-mentioned Draft Law.

In 2005, amendments to Law “On Prevention of Conflict of Interests in Actions of Public officials” have been prepared. However, due to the extensive nature of the amendments, the draft law was returned to the Bureau for second evaluation. As a result, the Bureau decided to develop a new Law on Prevention of Conflict of Interests. Drawing on the experience of the Bureau, the new law aims to remedy to inaccuracies of the existing provisions, including possibilities of different interpretation.

## Information and education of the public

During 2005, 104 press releases were disseminated, 6 press conferences and 1 public discussion held. Officials of the Bureau participated in 56 training seminars addressing public officials. Management of the Bureau gives interviews and answers to questions of the mass media and information agencies on a regular basis, as well as participates in radio and TV programmes.



Director of the Bureau Aleksejs Loskutovs talks to representatives of mass media after a meeting with the Saeima Commission for the Oversight over Prevention and Combating of Corruption, Smuggling and Organised Crime.

Photo: Normunds Mežiņš, AFI

The Bureau organised a press conference on 12 January 2005 to provide representatives of mass media with information about problems identified and improvement proposals in the area of income control in Latvia. Participants of the press conference, along with representatives of the Bureau, were: Linda Mūrniece, Chairperson of the Saeima Commission for the Supervision of Prevention and Combating of Corruption, Smuggling and Organised Crime, Viesturs Burkāns, Director of the Office for Prevention of Laundering of Proceeds Derived from Criminal Activity, Valts Kalniņš, Chairman of the Public Consultative Council of the Bureau.

Seminar was organised for representatives of political organisations (parties) and their associations on 20 January 2005 where information was provided about the procedure for filling-in and submission of annual financial declaration, annual report, pre-election expenditure declaration and election income and expenditure declaration. This seminar was organised in order to promote common understanding between the Bureau and representatives of political organisations about provision of information in declarations.

Few months later, Cabinet of Ministers regulation, which provides a uniform procedure and form for completion, submission and publishing of annual financial declaration, pre-election expenditure declaration, election income and expenditure declaration, notification about planned election expenditure, and notification about donations to political organisations (parties), was adopted on 22 March 2005.

Press conference was held on 23 February 2005 where representatives of mass media were introduced with the results of the public opinion poll in Latvia about issues of corruption that was carried out in January. Results of the poll show experience of the population of Latvia in contact with problems and types of corruption in various areas managed by the State and local governments, for example, health care, police.

In a press conference on 2 March 2005, journalists were informed about violations of the regulations on financing of political parties that were found in financial declarations of 2003, as well as in the European Parliament pre-election expenditure declarations and the European Parliament election income and expenditure declarations.

The Bureau organised a meeting of the Foreign Advisory Panel on 14 September 2005 where representatives of embassies and international organisations in Latvia were introduced to the results of activities of the Bureau and achievements in implementing the National Programme for Corruption Prevention and Combating for 2004-2008. In the area of control over personal income and regarding extension of liability to public service providers, ambassadors of several countries expressed their support to the proposals of the Bureau.

Public discussion about the need for legal regulation of lobbying and its introduction in Latvia was held in Saeima (Parliament) on 27 September 2005, with participation of Christian D. de Fouloy. The expert explained that lobbying in a democratic state is a permitted influencing of decisions made by state and local governmental institutions for the interests of a person. The key problem in Latvia is the lack of transparency in this area: to find out who has tried to get one or another decision made and in who's interests remains difficult.

The Bureau held a press conference on the International Anti-Corruption Day on 9 December 2005. Representatives of mass media were introduced with measures taken to prevent corruption in Latvia. In particular, it was emphasised that the Law on Accession of Latvia to the United Nations Convention against Corruption would enter into force on 1 December 2005 and the Convention would enter into force internationally on 14 December 2005 when more than 30 world countries would have ratified it. With the slogan of the 2005 UN anti-corruption campaign "You can stop corruption", the Bureau sent informative materials to 130 state and local government institutions inviting them to take a more active part and inform the public about possibilities to report allegations of corruption.

In 2005, the Bureau pursues actively the training of public officials at state and local level addressing such issues as application in practice of the Law "On

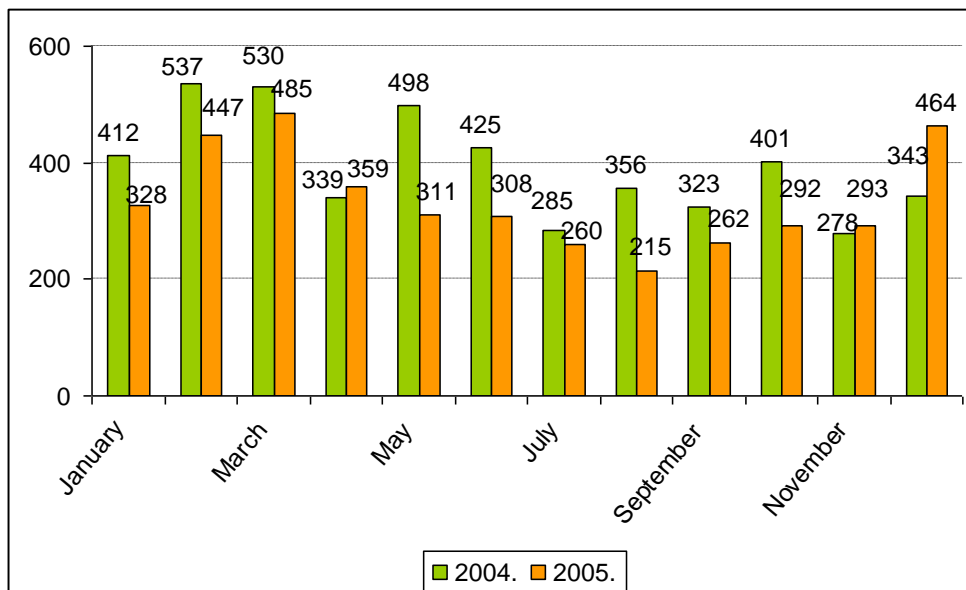
Prevention of Conflict of Interests in Actions of Public officials”. In 2005, the audience of the training seminars reached about 800 officials.

The main effort in this period was training of those officials who work in educational establishments addressing restrictions in making decisions with regard to their relatives, since many relatives of heads of secondary and higher educational establishments work in their subordination. It caused very lively discussion because, very often, public officials were reluctant to admit that their impartiality in decision-making in such situations could be subject of discussion.

Broad discussion about sources of a conflict of interest and its prevention opened during the seminar of the Latvian Trade Union of Education and Science Employees and the seminar for representatives of the Banking Institution for Higher Education. Important discussion has been held with the Council of Rectors of Higher Educational Institutions about extension of the status of a public official to members of the senate of higher educational establishments where, unfortunately, common understanding has not been achieved yet, since the status of a public official is not applied to persons taking decisions about the use of funds in such institutions.

Several seminars have been held for officials from regional offices of the State Revenue Service about identification and prevention of internal corruption risks. Seminars about application of the provisions of Law “On Prevention of Conflict of Interests in Actions of Public officials” have been held also in the Latvia State Border Guard, for civil servants of the Rural Support Service, as well as in the Ministry of Health for directors of hospitals and staff of institutions under the Ministry.

**Figure 5. Number of publications in mass media mentioning the Bureau, 2004-2005**



Source: Lursoft IT, SIA

The Internet homepage of the Bureau: <http://www.knab.gov.lv>, is available to the public. Information in Latvian and English is updated on a regular basis; basic information is available also in Russian. A data basis of financing of political parties can be viewed on the homepage: one can select information about contributions and donations to parties, the amount and type, as well as other information in simple and accessible way. Persons interested in a matter within the competence of the Bureau can submit their questions and receive answers. Until now, questions are asked mainly about application of the Law “On Prevention of Conflict of Interests in Actions of Public officials”, for example, whether a member of a municipal council may be also a director of a municipal enterprise or a chairperson of a commission of the council at the same time, whether a member of a local government is entitled to vote for him or herself at a meeting of the council thus electing him or herself in a commission and by deciding on remuneration of members of the commission. Starting from November 2005, information about decisions made by the Bureau in matters of administrative violations is published on the Internet, including name of sanctioned officials, summary of the administrative violation and the applied administrative penalty. Relevant legal texts and international documents, as well as various informative materials are available on the Internet.

In 2005, the Bureau has prepared the informative report “Violations in the Public Service and Persons Charged: Administrative Violations in the Area of Corruption Prevention. Administrative Violations in the Area of Financing of Parties, 2003-2004”, which summarises information about offences of the Criminal Law related to corruption in the public service, shows dynamics, as well as ratio against the total number of crimes, territorial structure and other indicators. The report outlines the work of law enforcement institutions in the area of fight against corruption, summarises data about decisions made in criminal cases and registered crimes. In order to provide comprehensive information about violations in the area of corruption, the publication includes comprehensive data about application in practice of selected sections of the Latvian Administrative Violations Code, for example, about violation of restrictions to public officials in a situation of conflict of interest.

To increase public trust in public institutions and public officials, the Bureau has produced a brochure “Ethics in Activities of Public Officials”. Its purpose is to provide advice to public officials, especially heads of public institutions and senior officials, and raise their awareness about the meaning of ethics in their work and need to build confidence in their institutions.

In the second half of 2005 the Bureau concluded a contract with the Institute of Social Research of Latvia commissioning a sociologic study about knowledge and awareness of public officials about prevention of corruption, activities in



situation of conflict of interest, restrictions to public officials and - internal anti-corruption measures.

### **Activities of the Public Consultative Council**

In order to ensure involvement of the public in developing and implementation national anti-corruption policy and educating the public, the Public Consultative Council (henceforth – the Council) of the Bureau was established on 20 May 2004. In the Council are represented 15 non-governmental organisations.



Juta Striķe, Deputy Director (investigation), Valts Kalniņš, researcher of the Public Policy Centre “Providus” and Alvis Vilks, Deputy Director (prevention), participate in a meeting of the Public Consultative Council of the Bureau.

In 2005, 11 meetings of the Council were held. The Council discussed the Code of Ethics of the Bureau and activities of the Commission of Ethics and, based on results of the Latvian population opinion poll commanded by the Bureau, focused on issues of corruption in specific areas. The Council decided to form a working group in collaboration with representatives of the Latvian Health Care Employers’ Association and the Latvian Association of Hospitals during the meeting of 28 April 2005 to draw up suggestions for anti-corruption measures in health care. In order to promote prevention of corruption in the court system, the Council elaborated recommendations for strengthening of the court system and reducing of corruption risks in this area, in March 2005. These recommendations have been forwarded to the Supreme Court, the Ministry of Justice of the Republic of Latvia, the Latvian Association of Judges, and the Training Centre of Judges.

In 2005, the Council focused especially on the issue of possible corruption and its prevention in the court system. The Council organised discussion on 28 July 2005, in order to identify the main problems related to possible corruption in this area and to develop proposals for improvement. The discussion gathered officials representing the judicial system: Solvita Āboltiņa, Minister of Justice, Ivars Bičkovičs, President of the Latvian Association of Judges, Dzindra Kulla, Director of the Court Work Organisation Department of the Court Administration, as well as a representative of the Latvian Council of Sworn Advocates. Assessment and recommendations of the Council for strengthening

of the court system and corruption prevention were developed by the Council. Press conference was held on 14 October 2005 for introducing general public with the assessment and recommendations. Solvita Āboltiņa, Minister of Justice, Andris Guļāns, President of the Supreme Court, and Aleksejs Loskutovs, Director of the Bureau, participated in the press conference. The document is available at [http://www.knab.lv/downloads/SKP\\_par\\_tiesam.pdf](http://www.knab.lv/downloads/SKP_par_tiesam.pdf).



Andris Guļāns, President of the Supreme Court, Solvita Āboltiņa, Minister of Justice, Valts Kalniņš, researcher at the press conference organised by the Public Consultative Council of the Bureau

Photo: Agnese Gulbe, LETA

The Council also addressed the results of the three-year operation of the Bureau and laws it has developed. Members of the Council were involved also in implementation of the World Bank project “Development of the Legal Regulation of Lobbying and Introduction thereof in Latvia”.

## **Public opinion research**

Sociological research was done in 2005 to study experiences of the public with corruption. Citizens answered about frequency of use of “connections”, informal payments, gifts or other means used in solving different problems in the last 2 years.

More than 3/4 of the respondents did not use the said “informal means” to: obtain or change passport or residence permit; obtain invitations to foreign countries; in communication with the SRS (tax administration, submission of declarations, audits); in registration of road vehicles or technical inspection (the Road Traffic and Safety Department); dealing with local governments; dealing with the State Police (investigation of cases) and applying their children to school, kindergarten, or when entering a higher educational establishment.

Less than a half of the respondents who had experience in dealing with the related matters remarked that they were not forced to use informal methods in such situations as participation of their employer in procurement procedures in order to win a state or local government tender (however, true that only a small share of the respondents have been in such a situation in general) and in contact with the Road Police (violation of road traffic rules, a fine, penal points).

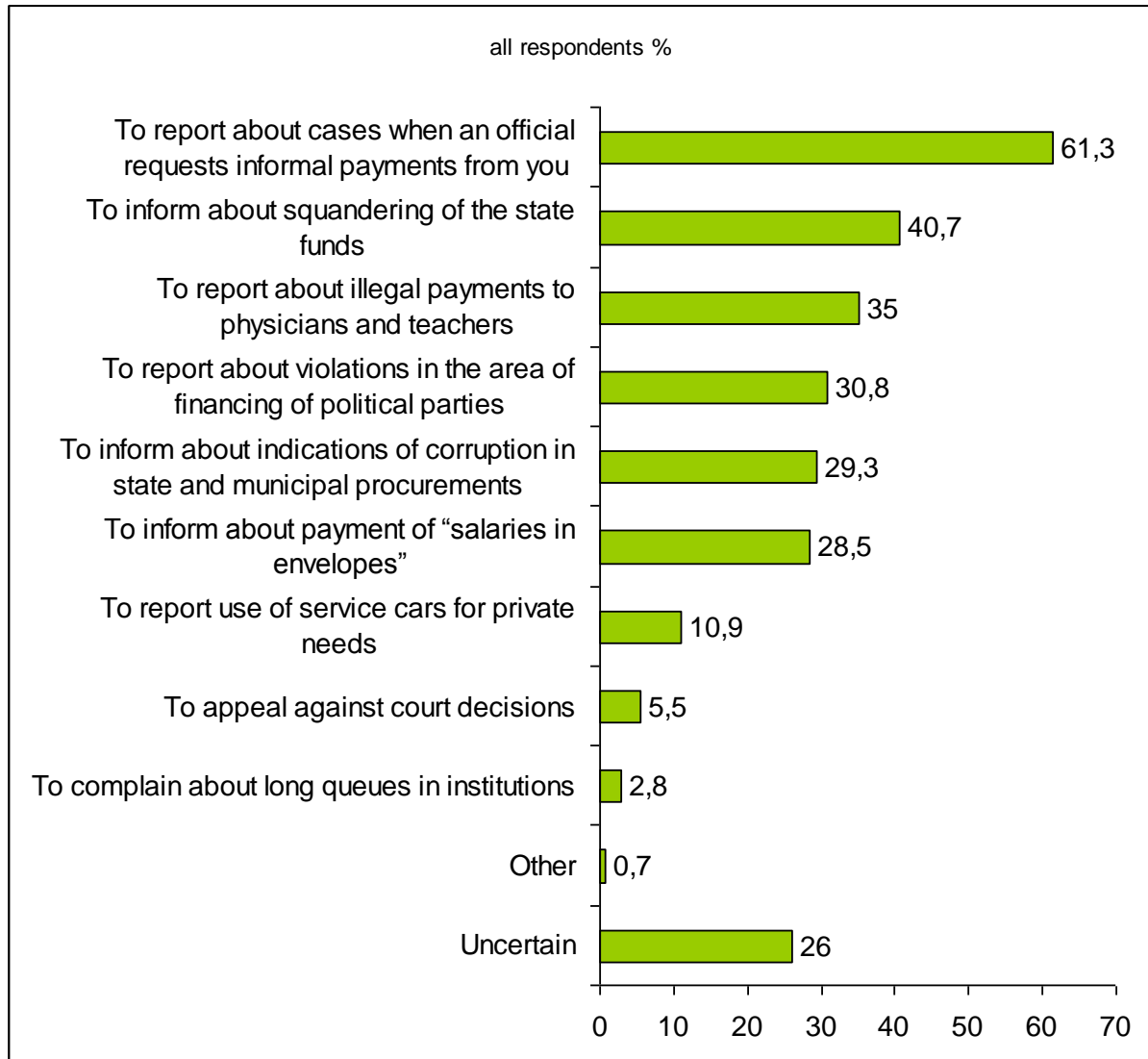
In the opinion pool citizens were asked to indicate the most common ways how they received information about corruption. Results of the research show that the majority of the population of Latvia has indirect contact rather than direct contact with corruption: when describing the most often source of information about cases of corruption, the majority of the respondents indicated mass media (80.5%) and stories told by their friends or relatives (52.3%). Almost 1/5 of the respondents (18.9%) indicated that they received information about cases of corruption because they were forced to make informal payments themselves in order to solve their problems.

When describing their attitude towards the Bureau, citizens expressed general approval of its role in corruption prevention and the Bureau was mentioned among those institutions with which they would be willing to co-operate when facing corruption. However, one must admit that almost a half of the respondents were critical in respect to their awareness about the Bureau. But it is a fact that only 7% of the polled population admitted that they had never heard about this institution.

When evaluating the awareness about various issues related to the Bureau, the citizens showed quite high level of awareness on such matters as establishment, management and staff of the Bureau. Comparatively few citizens had good understanding about situations when they can report to the Bureau (13%). Insufficient understanding about those questions among the public is

demonstrated by the fact that 35% of the population think that the Bureau shall be reported about illegal payments to doctors and teachers, 29% have indicated the same with regard to the “salaries in envelopes” (without paying taxes), 6% deem that it is possible to appeal against court judgements in the Bureau, but 3% have mentioned also “long queues in institutions”.

**Figure 6. Survey about Reporting to the Bureau: “In your opinion, which cases you can report to the Corruption Prevention and Combating Bureau”?**



\* Since each respondent could mark up to 3 answers, the total of responses exceeds 100%.

Source: SKDS

## **Results in the area of combating corruption (investigation)**

Considerable changes in the work of the Bureau followed the adoption and entering into force of the Criminal Procedure Law on 1 October 2005, when the Intelligence Division was renamed the Division of Investigations.

Special training was organised for investigators of the Bureau due to adoption of the Criminal Procedure Law and application of its provisions in the new legal environment. An opportunity to improve their qualification in other European countries was also ensured through participation in seminars and conferences related to investigation of corruption crimes, sharing experience and working methods with other countries. During their visits abroad, the investigators gave their recommendations and outlined the problems and peculiarities of investigation of criminal offences in public service in Latvia.

In addition to the changes after adoption of the Criminal Procedure Law, rapid increase in the number of complaints and criminal cases under investigation can be observed in the work of the Division. Therefore, the number of staff of the Division of Investigations was increased by creating 4 new positions in 2005, in order to ensure higher quality and reduce time spent on investigations.

Opinion of an auditor is often required when investigating criminal cases in operation of law enforcement authorities. While public institutions, which perform audits, are often lacking capacity for fulfilment of all requests by investigators, commissioning audits to private audit companies is expensive. Opinion and evaluation of an auditor would be necessary also in cases of violations of economic activities of local governments and municipal enterprises. Qualitative and timely opinions of auditors promote fast clarification of the facts and taking of a decision in the criminal procedure. Unfortunately, providing of such expertise often has not been possible or is largely delayed. Therefore, with the Decision of the Prime Minister on 19 May 2004 a working group was established under the leadership of the Bureau to develop proposals for improvement of the efficiency of financial and performance audit. On 7 April 2005 the Bureau submitted to the Cabinet of Ministers the informative report "On Proposals for Improving the Efficiency of Financial Audit".

The working group outlined that the existing auditing capacity was insufficient for the needs of the law enforcement institution. It recommended setting up a separate structural unit of auditors, which would operate for the needs of all law enforcement institutions. Another proposal – also supported by the Crime Prevention Council – was to strengthen the Accounting Audit Division of the Expertise Bureau under the Forensics Board of the State Police. The working group stressed that a structural unit with adequate capacity making financial and performance audits would considerably improve operation of law enforcement institutions. Subsequently, it would be useful to increase the number of staff of

the abovementioned Accounting Audit Division by 21 positions and provide adequate remuneration with the duties of an auditor. The Ministry of the Interior should take the necessary measures to strengthen this Division, including applies for additional funding.

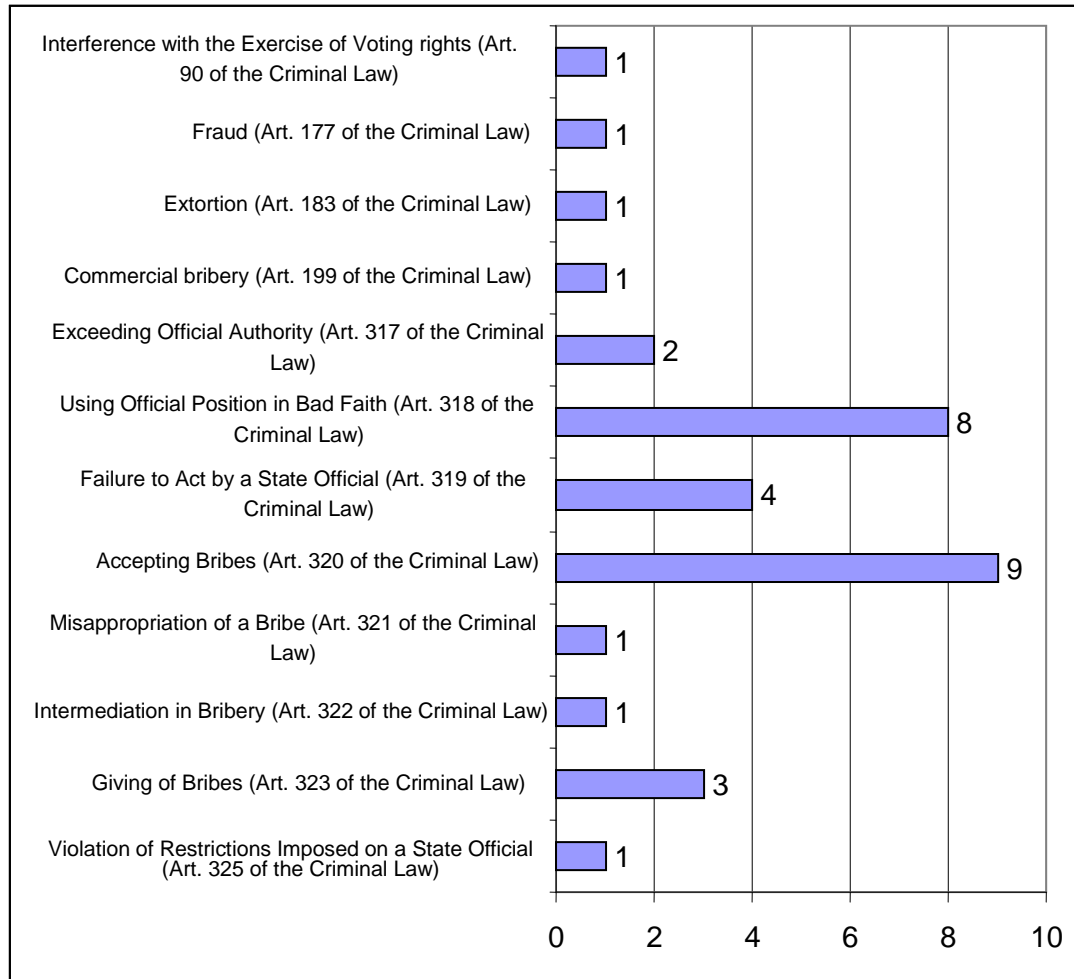
Draft Regulation of the Cabinet of Ministers “Procedure for Granting, Use and Oversight of the Funds Approved in the Basic Budget Programme “Ensuring of Operational Activities” of the Cabinet of Ministers” was announced at the meeting of the State Secretaries on 29 December 2005. The Draft Regulations provide that the approval in the amount of LVL 100,000 envisaged for implementation of the 2006 Budget Programme “Ensuring of Operational Activities” of the Cabinet of Ministers shall be used for law enforcement institutions to ensure criminal intelligence, in order to detect corruptive criminal offences. By taking into account the need for large amounts of money for certain operations, such as sting operations requiring to offer bribes, and the budget of the law enforcement institutions does not have such resources, creation of a special account would improve the work to combat corruption and economic crime. In accordance with the Draft Regulations, the Bureau is the institution responsible for granting, use and supervision of the funds in the special account.

By developing the above-stated regulations, was taken into account the measure set out in the National Programme for Corruption Prevention and Combating for 2004-2008: to ensure creation of a special account for financing criminal intelligence operations and maintaining of the account from the state budget thus ensuring a possibility for law enforcement institutions to detect cases of corruption.

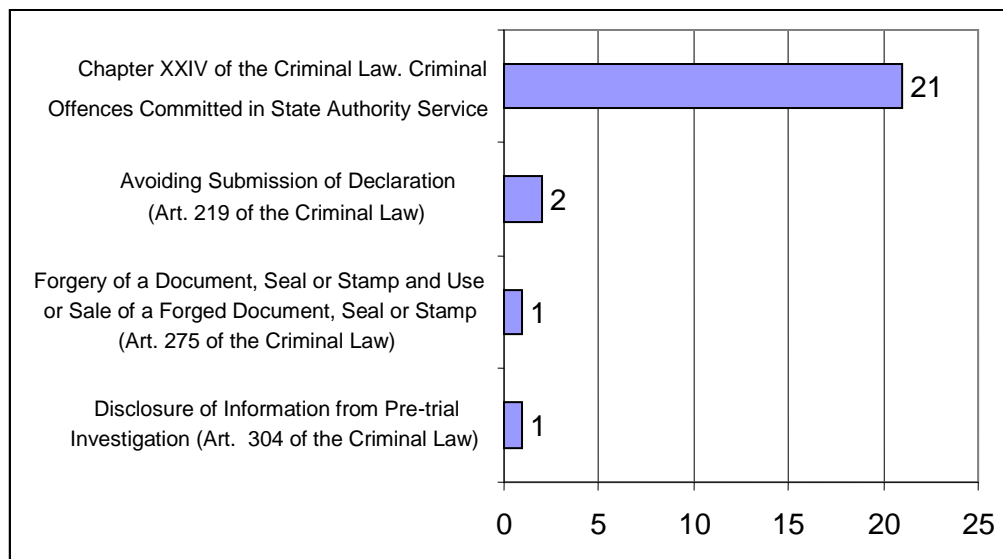
In 2005, the Division of Investigations of the Bureau has reviewed **46** reports from natural persons and **17** from legal persons containing allegations of corruption, and has received altogether **865** documents. Another **56** applications were received in accordance with the procedure provided for in Section 109 of the Latvian Criminal Procedure Code (henceforth – the CPC). In 2005, the Bureau initiated **34** criminal cases, and **8** criminal cases were referred to it by other pre-trial investigation bodies. In the period after the first of October 2005 8 applications has been registered according to Criminal Procedure Law and initiated 25 criminal procedures. Work is pursued also in criminal cases that were initiated in previous years.

**Figure 7. Criminal cases and processes started by the Bureau in 2005, by Articles of the Criminal Law in its competence**

**Criminal cases started in 1 January – 30 September 2005**



**Criminal processes started in 1 October – 31 December 2005**



For the purpose of starting of criminal prosecution, **24** criminal cases against **45** persons have been sent in accordance with Section 125 of the CPC, from them **26** persons have been detained in accordance with Section 120 of the CPC, and

the following security measures have been used: supervision by the police for **9** persons; and signature for not changing the residence to **23** persons. **Three** criminal cases against **5** persons have been sent to start criminal prosecution in accordance with the procedure provided for in the Criminal Procedure Law. Comparing to the previous year, 30 criminal cases were initiated in 2004, 22 cases have been forwarded to start criminal prosecution against 29 persons.

**4** criminal cases have been sent to another institution in line with their competence, in accordance with the procedure provided in Section 129 of the CPC. **2** criminal procedures have been sent to another institution after 1 October 2005 when the new CPC was adopted. 6 criminal cases have been terminated. 1 case was terminated after 1 October 2005. Until 1 October 2005, **21** decisions about refusal to initiate a criminal case were made, but **8** decisions about refusal to initiate criminal process were made after 1 October 2005.

After entering into force of the new Criminal Procedure Law, the Bureau informs the public only about those criminal cases, which have been forwarded to the Prosecution Office for starting criminal prosecution or when a person was detained or declared a suspect.

On 12 January 2005, a criminal case was initiated in accordance with the Section 325(1) of the Criminal Law (henceforth – the CL) (Violation of Restrictions Imposed on Public Official) after the Director of the public enterprise *Latvian Oncology Centre* took decisions about himself in January 2002 – November 2004, by adding to his salary remuneration in an amount of LVL 56,293. The case was sent to the Prosecution Office on 16 February 2005.

On 19 January 2005, a criminal case was initiated in accordance with Section 177 of the CL (Fraud) for getting money by fraudulent activities from a patient by a doctor of the hospital *Gaiļezers*. The doctor received LVL 450 in such way in 2004 by misusing the trust of his patient and by providing him false information about the procedure of an urgent surgery. The criminal case was sent to the Serious Crime Investigation Division of the Prosecution Office on 20 May 2005.

On 31 January 2005, a criminal case was initiated in accordance with the second paragraph of Section 183 of the CL (Extortion) for receiving LVL 40,000. Three certified administrators were detained for the fact of extortion in the criminal case and one of them had been appointed as an administrator in a matter of insolvency of the undertaking. The group of detained persons had extorted and received money from the undertaking, according to a preliminary agreement, by threatening with intentional holding off of the insolvency matter of the undertaking thus halting its operation and causing considerable damage. The case was sent to the Prosecution Office for starting criminal prosecution on 18 February 2005.



On 4 February 2005, a criminal case was initiated in accordance with the second paragraph of Section 320 of the CL (Accepting Bribes), and employees of Kurzeme Regional Office of the Operational Division, the Customs Criminal Administration of the SRS were detained in Liepāja. Group of the said persons had demanded a bribe of LVL 600 for drawing up of a favourable inspection certificate from some entrepreneur during inspection of his owned warehouse premises. When the entrepreneur did not agree to pay the initially requested amount, a bribe amounting to USD 100 and LVL 150 was accepted. The criminal case was sent to the prosecutor's office for initiation of criminal prosecution on 16 February 2005.

On 8 February 2005, a criminal case was commenced in accordance with the Section 317(2) of the CL (Exceeding Official Authority) for intentional actions of former public officials of Liepāja district Nīca Civil Parish Council when selling forest land in the protection zone in the Baltic Sea coast to several private individuals without receiving a special decision of the Cabinet of Ministers, thus violating the Law on Protection Zones, which obviously exceeded the limits of the authorisation granted to public officials and caused severe consequences.

On 14 February 2005, a criminal case was initiated in accordance with the first paragraph of Section 199 of the CL (Commercial Bribery) for delivery of LVL 2,000 to an authorised person of an undertaking for particular actions for the interests of the payer. Detained person: a sworn advocate, offered and delivered LVL 2,000 to the authorised person of the undertaking in order the person, by misusing its authorisation, would refuse from a claim brought to court by this person. The criminal case was sent to the Primary Importance Investigation Division of the General Prosecutor's Office on 21 February 2005, in accordance with the procedure provided for in Section 41 of the Latvian CPC.

On 22 February 2005, a criminal case was initiated in accordance with Section 319(2) of the CL (Failure to Act by Public Official) for failure to act of officials of Jūrmala City Council in relation to legal proceedings where the property right to 30ha land plot in the territory of Jūrmala City was approved causing a considerable damage to the municipality.

On 28 February 2005, a criminal case was initiated in accordance with the Section 318(2) of the CL (Using Official Position in Bad Faith) and Section 195 (Money Laundering) for allegedly misusing office for enrichment purpose and money laundering by public officials of Daugavpils City Council. Executive Director of Daugavpils City Council advisedly organised fictitious procurement procedures that were disadvantageous to the local government, by misusing his office for mercenary purpose and by circumventing the procedure stipulated by law, thus causing a considerable damage to the procedure of the local government.

On 28 February 2005, a criminal case was initiated in accordance with the Section 321(1) of the CL (Misappropriation of a Bribe) for misappropriation of a bribe, which had been received for delivery of the same to a police officer. A suspected person: a former police officer had received a bribe of LVL 600 for delivery of the same to an official of the Road Police in order some particular individual would not charged with a fine and depriving of his driving licence due to a committed violation of the road traffic rules. The criminal case was sent to the prosecutor's office for initiation of criminal prosecution on 24 March 2005.

On 28 February 2005, a criminal case was initiated in accordance with the second paragraph of Section 320 of the CL (Accepting Bribes) for demanding and receipt of a bribe of LVL 40 by an environment inspector of Greater Riga Regional Office of the State Environment Service for non-application of a fine to a director of some undertaking on the subject of failure to submit a pollution declaration as provided for in the Cabinet regulations. The criminal case was sent to the prosecutor's office for initiation of criminal prosecution on 8 March 2005.

On 18 February 2005, a criminal case was initiated in accordance with the second paragraph of Section 323 of the CL (Giving of Bribes) for a fact of bribery during the election of the chairperson of Jūrmala City Council. A bribe in the amount of EUR 20,000 was delivered to some deputy of Jūrmala City Council thus trying to achieve a preferred outcome for the bribers during the election of Jūrmala City Council. The criminal case was sent to the prosecutor's office for initiation of criminal prosecution on 12 April 2005.

On 20 March 2005, a criminal case was initiated in accordance with Section 90 of the CL (Interference with the Exercise of Voting rights and the Right to Participate in Referendums) for interference with the exercising the voting rights. The matter was sent to the Security Police under its competence in accordance with Section 129 of the CPC on 22 March 2005.

On 13 April 2005, a criminal case was initiated in accordance with the first paragraph of Section 323 of the CL (Giving of Bribes) for alleged bribery of an official of the Bureau committed by owner of a pharmaceutical company. The businessman offered a bribe to secure that the official of the Bureau would not organise and carry out inspections related to activities of his company. In addition to a bribe of LVL 45,000, the person promised to pay LVL 1,000 monthly in order that the Bureau would not carry out inspections related to his company. The case was sent to the Prosecution Office for starting criminal prosecution on 21 April 2005.

On 22 April 2005, a criminal case was commenced in accordance with Section 162(2) of the old Criminal Code (Misuse of Power or the Office), the second paragraph of Section 318 of the CL (Using Official Position in Bad Faith) for actions of public official – sworn bailiff by using his official position in bad faith for purposes of acquiring property by applying compulsory levy to tangible and intangible property of a debtor.

On 29 April 2005, a criminal case was started in accordance with the second and the third paragraphs of Section 320 of the CL (Accepting Bribes) for demanding a bribe of LVL 300 from a national of France in order inspections would not be carried out in his owned enterprise in Riga, which was carried out by officials of the 21<sup>st</sup> police station of Riga City Main Police Board. The criminal case was sent to the prosecutor's office for initiation of criminal prosecution on 17 May 2005.

On 3 May 2005, a criminal case was initiated in accordance with the Section 320(3) of the CL (Accepting Bribes), Section 322(1) (Intermediation in Bribery) for intermediation in bribery and accepting bribes in order to obtain a driver's licence without passing the necessary examination. The criminal case was sent for prosecution for starting criminal prosecution on 12 May 2005.

On 17 May 2005, a criminal case was initiated in accordance with the first paragraph of Section 318 of the CL (Using Official Position in Bad Faith), the second paragraph of Section 275 (Forgery of a Document, Seal or Stamp and Use or Sale of a Forged Document, Seal or Stamp) for using official position in bad faith committed by an officer of Riga City Road Police, and for forgery of documents committed by employees of the Narcology State Agency in relation to making alcohol expertise.

On 30 May 2005, a criminal case was initiated in accordance with the third paragraph of Section 320 of the CL (Accepting Bribes) for demanding a bribe by an inspector of primary importance cases of the Security Police. A bribe in the amount of LVL 250 was blackmailed from some individual in order a criminal case would not be initiated. The criminal case was sent to the prosecutor's office for initiation of criminal prosecution on 27 May 2005.

On 6 June 2005, a criminal case was initiated in accordance with the first paragraph of Section 322 of the CL (Intermediation in Bribery), the first paragraph of Section 320 (Accepting Bribes), the first paragraph of Section 323 (Giving of Bribes) for illegal actions committed by the head of the Alcohol and Narcotic Intoxication Expertise Division of the Narcology State Agency when making alcohol tests for a driver and delivery of a bribe to an officer of Riga City Road Police.

On 6 June 2005, a criminal case was initiated in accordance with the second paragraph of Section 320 of the CL (Accepting Bribes) for requesting of a bribe in the amount of LVL 280 by an officer of Riga City Road Police for recording of a violation of the road traffic rules without fixing alcohol intoxication therein.

On 28 June 2005, a criminal case was initiated in accordance with the third paragraph of Section 320 of the CL (Accepting Bribes), the first paragraph of Section 322 of the CL (Intermediation in Bribery) for requesting a bribe in the amount of LVL 15,900 and for mediation in bribery. The criminal case was sent to the prosecutor's office for initiation of criminal prosecution on 8 July 2005.

On 5 July 2005, a criminal case was initiated in accordance with the second paragraph of Section 319 of the CL (Failure to Act by a State Official) for actions of a state secretary of the Ministry of Education and Science (MES) by entering a contract of lease on leasing of a state-owned real estate complex for a term of twenty years to some undertaking in Mežaparks for a monthly lease payment LVL 1,500, which was disadvantageous to the State and which was not stated in accordance with the procedure provided for in legal enactments. An investigator of the Bureau made a decision in December 2005, by evaluating the evidences in the criminal proceedings, to admit the former state secretary of the MES as a suspected person for committing a criminal offence provided for in the second paragraph of Section 318 of the CL (Using Official Position in Bad Faith).

On 5 July 2005, a criminal case was initiated in accordance with the second paragraph of Section 318 of the CL (Using Official Position in Bad Faith) for illegal actions of a responsible official of Riga City Joint-stock company *Mežaparks*. During the period from July 2003 till October 2004, the official of JSC *Mežaparks* had entered contracts of lease with his owned sole enterprise on lease of cars, by violating the provisions of Laws "On Procurement for the State or Local Government Needs", "On Prevention of Conflict of Interests in Actions of Public officials", and Law "On Accounting". In accordance with the entered contract of lease, the official made payments from the funds of JSC *Mežaparks* by transferring the same to his owned company.

On 6 July 2005, a criminal case was initiated in accordance with the Section 318(2) of the CL (Using Official Position in Bad Faith) against three officials of Preiļi brigade of the State Firefighting and Rescue Service (SFRS) for their inactivity and using official position in bad faith for mercenary purpose. During the period from May 2000 till May 2005, the officials of Preiļi Division of the SFRS did not fulfil their duties out of negligence, which were provided for in administrative regulations, *i.e.*, had not made technical inspection of an office car over a longer period and had written-off material values for a total amount of

LVL 6,900 during a five-year period thus causing severe consequences and a financial damage to a great extent. The criminal case was sent to the prosecutor's office of Preiļi district for initiation of criminal prosecution on 27 July 2005.

On 19 July 2005, a criminal case was initiated in accordance with the Section 323 (1) of the CL (Giving of Bribes) for a fact that some individual handed over a ring of yellow metal to the judge of Riga district on 1 July 2005 in order the judge would refuse from reviewing of a criminal case. The criminal case was sent to Riga City Centre District Prosecutor's Office for initiation of criminal prosecution on 16 August 2005.

On 20 July 2005, a criminal case was initiated in accordance with the Section 320 (3) of the CL (Accepting Bribes), the second paragraph of Section 318 (Using Official Position in Bad Faith), Section 195 (Laundering of the Proceeds from Crime) against two officials of the Criminal Police of the 23<sup>rd</sup> Station of Riga City Main Police Board for blackmailing of a bribe in the amount of EUR 600. The said officials of the Criminal Police had blackmailed and received a bribe in the amount of EUR 600 from some individual, according to a preliminary agreement and by malicious misuse of their offices, for mercenary purpose, in order a favourable opinion of an expert would be issued during an inspection made by the police. As a result of such an activity, a technical coupon of a truck trailer would not be cancelled and a decision would be made about refusal to initiate a criminal case. The criminal case was sent to Riga Court District Prosecutor's Office for initiation of criminal prosecution on 12 August 2005.

On 22 July 2005, a criminal case was initiated in accordance with the first paragraph of Section 317 of the CL (Exceeding Official Authority) for actions made by a sworn bailiff, causing a substantial harm.

On 17 August 2005, a criminal case was initiated in accordance with indications of a criminal offence stipulated in the second paragraph of Section 318 of the CL (Using Official Position in Bad Faith) for using official position in bad faith, which caused serious consequences. The said indications were found in actions of a sworn bailiff. Evidences obtained by the Bureau provide that the bailiff has distributed the funds, which were received in an auction of a real estate, in contrary to provisions of law and has not satisfied the claims according to their priority thus violating the provision stated in Section 628 of the Civil Procedure Law about the sequence in satisfying of claims. The criminal case was sent to Riga Court District Prosecutor's Office for initiation of criminal prosecution on 16 November 2005.

On 18 August 2005, a criminal case was initiated in accordance with the second paragraph of Section 320 of the CL (Accepting Bribes) for demanding of LVL

200 from individual A., which was requested by an officer of Riga City Municipal Police. The criminal case was sent to the General Prosecutor's Office of the Republic of Latvia on 26 August 2005.

On 30 August 2005, a criminal case was initiated in accordance with the first paragraph of Section 177 of the CL (Fraud) for performing of illegal actions by head of the Alcohol and Narcotic Intoxication Expertise Division of the Narcology State Agency.

On the basis of materials of the inspection made by the Bureau, a criminal case has been received from the Prosecutor General of the Republic of Latvia for making investigation in August 2005, in accordance with the first paragraph of Section 291 of the CL (Rendering of Unlawful Judgments and Decisions), which has been initiated against a judge of the Land Books of Jūrmala City for three intentionally illegal decisions made by the judge during 2003 in relation to consolidation requests about houses on a land plot. The criminal case was sent to the Primary Importance Investigation Division of the General Prosecutor's Office of the Republic of Latvia on 21 September 2005.

On 9 September 2005, a criminal case was initiated in accordance with the second paragraph of Section 275 of the CL (Forgery of a Document, Seal or Stamp and Use or Sale of a Forged Document, Seal or Stamp), the first paragraph of Section 319 (Failure to Act by a State Official) for forgery of documents in order to acquire the property right in Riga, Kuģu iela 13, and for inactivity of public officials who granted the property right on the basis of forged documents.

On 16 September 2005, a criminal case was initiated in accordance with the second paragraph of Section 318 of the CL (Using Official Position in Bad Faith) for using official position in a bad faith for mercenary purpose by organising fictitious procurement procedures, and for repeated misappropriation of funds of a state institution by legalising the origin of such funds, as it was done by the director of the Administrative Department of the State Land Service.

On 19 September 2005, a criminal case was initiated in accordance with the second paragraph of Section 319 of the CL (Failure to Act by a State Official) for inactivity of officials of Jūrmala City Council by granting land and real estates for lease and by transferring of the same for privatisation.

On 22 September 2005, a criminal case was initiated in accordance with the Section 318(2) of the CL (Using Official Position in Bad Faith) for using official position in bad faith by a sworn bailiff who caused considerable damage in the amount of LVL 460,000.

Criminal proceedings have been started in 10 October 2005 in accordance with Chapter XXIV of the CL for allegedly illegal actions of public officials in a local branch in Limbaži of Valmiera department of the Naturalization Board of the Republic of Latvia (hereinafter – NB). On 11 October 2005 the Bureau detained an official of this Limbažu branch and an individual for intermediation in bribery and misappropriation of part of the bribe. Materials of the criminal proceedings show that the mediator offered to pass the naturalization exam for a reward in the amount of EUR 1,100 to G. without adequate knowledge and prior to the set term. The evidence provides sufficient ground to consider the mediation in delivering of the bribe to an official of the NB and misappropriation of part of the bribe, which was supposed to go to the official. The Bureau discovered in the initiated criminal process the second episode of bribery where individual I. delivered EUR 1,000 to an official of the NB through the mediator in order that the official, by misusing his office, ensure successful passing of the exam. The case was sent to the Prosecution Office on 8 December 2005. An investigator of the Bureau suggested initiation of criminal prosecution against the official of the NB for bribery (Section 320 of the CL – Accepting Bribes) and against two other persons involved in the bribery: one for intermediation and misappropriation of the bribe (Sections 321 and 322) and the other for giving of bribes (Section 323).

Within the framework of the above mentioned criminal proceedings for possible illegal actions by public officials in accordance with Chapter XXIV of the CL, on 17 October the Bureau detained the head of Valmiera Office of the NB and detained the chief of Riga Municipal Police (RMP) for intermediation in bribery. The obtained data gives evidence that the NB official, using his official position in bad faith, facilitated making of a favourable decision for individual M. in examination of his knowledge in relation to obtaining the citizenship of Latvia, by receiving illegal reward for that through two mediators. The materials of the criminal proceedings show that the chief of RMP offered to pass the naturalization exam to M. at Valmiera Office of the NB for reward of LVL 500. Overall the evidence provides sufficient grounds to believe that the chief of RMP and some other persons were mediators in delivering the bribe to the official of the NB.

On 21 October 2005, in accordance with Chapter XXIV of the CL, criminal procedure was initiated about illegal actions of the official in relation to misappropriation of the bribe. The case was sent to the Riga City Zemgale District Prosecution Office on 14 December 2005. The Bureau suggests starting of criminal prosecution against an instructor of driving school in Riga for misappropriation of a bribe in the amount of LVL 150 (Section 321 of the CL) committed by the instructor when promising successful passing of the driving exam at the Road Traffic Safety Directorate (RTSD). The instructor misappropriated the bribe supposed to be passed over to an official of the RTSD.

On 7 December 2005, the Bureau detained person O., born in 1960, for misappropriation of a bribe. Individual O. offered his assistance in obtaining a driving licence by posting an announcement on the Internet. O. offered mediation for reward of LVL 600 in relation to illegal obtaining of driving licence, without passing the theoretical exam and the practical driving exam. The bribe was requested as if for delivery of the same to a public official for making illegal actions however individual O. misappropriated the bribe. The individual was detained after receipt of a bribe of LVL 300. An investigator of the Bureau found that O. is suspect for committing a criminal offence stipulated in the Section 321(1) of the CL (Misappropriation of a Bribe), within the framework of the initiated criminal proceedings.

On 12 December 2005, the Bureau detained three persons on the grounds of suspicion about bribery: one official of Riga City Council for accepting of a bribe in the amount of LVL 12,600, the second official Riga City Council for intermediation in bribery, as well as one individual for giving of bribe. Another official of Riga City Council was recognised as a suspected person for committing a criminal offence stipulated in of Section 322 of the CL (Intermediation in Bribery).

On 30 December 2005, in accordance with Chapter XXIV of the CL, criminal procedure was initiated about illegal actions of the public officials and the individual in relation to bribery. Within the framework of the criminal proceedings, the Bureau detained two officials of Riga City Main Police Board: the head of the Bureau Division of the Economical Police and the senior expert of the Administrative Board, as well as a sworn advocate. The materials of the criminal proceedings give evidence that a bribe in the amount of LVL 19,500 was demanded by the mediation of the sworn advocate from some commercial company in order the company could deal without any obstacles with funds that were “frozen” (blocked) in a bank in the amount of LVL 64,000 and in order criminal proceedings would not be initiated against an official of the respective commercial company.



## **Results in monitoring financing of political organisations (parties) and their associations**

The Bureau is responsible for control of financial and economical activity of political organisations in four stages: audit of declarations, audit of accounting, examining of legitimacy and lawfulness of donations, as well as counter-inspections.

644 lists of donations of political parties have been inspected in 2005.

By examining the compliance with the regulations on financing of political organisations (parties), 8 decisions have been made by asking political parties to return illegally received funding in the amount of LVL 15,418.99.

In 2005, political parties have returned funding amounting to LVL 113,244.66. From those, illegally repaid donations that have been repaid equal to LVL 109,912.51:

- LVL 10,049.90 for decisions issued in 2005;
- LVL 96,872.61 for decisions issued in 2004;
- LVL 2,990.00 for decisions issued in 2003.

Funding in the amount of LVL 3,331.90 has been also repaid to the State Treasury in 2005, which has been received in contradiction to the first paragraph of Section 6 of Law on Financing of Political Organisations (Parties)\*, as well as LVL 0.25 of funds voluntarily repaid by parties.

In 2005, 57 decisions have been made in total to apply an administrative penalty to political organisations (parties) with fines amounting to LVL 21,050.39. Twenty of those decisions were appealed, but administrative penalties in the amount of LVL 6,100.00 have been paid to the State Treasury.

- 16 decisions were made about violations discovered in 2003 and 2004 (1 decision about violations in 2002; 10 decisions about violations in 2003; 5 decisions about violations in 2004, including during the European Parliament pre-election period) by obliging to update financial declarations.
- 3 administrative violation records have been executed for provision of incomplete information in annual financial declarations of 2003 and in the

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### **\* Section 6. Restrictions of financing**

(1) Natural persons shall be prohibited to finance political organisations (parties) from donations and loans of other persons. Natural persons who have been charged for intentional crime against property, for intentional crime in the national economy, as well as intentional crime in the office of state institutions and in relation to whom criminal record has not been deleted or removed, with the exception of rehabilitated persons, shall be prohibited to finance political organisations (parties) with donations. Former staff, freelance officials and informers of the State Security Committee shall be prohibited to finance political organisations (parties) with donations or in any other manner.

European Parliament election income and expenditure declarations of 2004, and 4 decisions have been made about application of administrative penalties in the amount of LVL 1,250.

- By ensuring audits of the procedure for submission of annual financial declarations of political organisations (parties) of 2004, annual reports, 18 administrative violation records were executed and 16 decisions were made about application of administrative penalties for a total amount of LVL 4,210, but in 2 cases the administrative matter was terminated due to its insignificance.
- By ensuring audits of the procedure for submission of pre-election period expenditure declarations, notifications about planned election expenditure and local government election income and expenditure declarations of political organisations (parties), 6 administrative violation records were executed and 6 decisions were made about application of administrative penalties for a total amount of LVL 1,500.
- 2 administrative violation records were executed and 2 decisions were made about application of administrative penalties for an amount of LVL 600, for failure to observe the procedure for submission of annual financial declarations, annual reports and pre-election period expenditure declarations.



Head of the Division of Control of Political Parties Financing, Inga Jaunskunga in an informative seminar for representatives of political organisations (parties)

Photo: Gatis Dieziņš, AFI

By ensuring audits of the procedure for submission of income and expenditure declarations of political organisations (parties) for the election on 12 March 2005, expenditure declarations of the pre-election period the repeated election on 20 August 2005, and notifications about total planned election expenses, 14 administrative violation records were executed and 13 decisions were made about application of administrative penalties for a total amount of LVL 3,325.00, but in 1 case the administrative matter was terminated due to its insignificance.

12 administrative violation records were executed for violations discovered in the procedure for completing income and expenditure declarations for the election on 12 March 2005, as well as for provision of false information in declarations, for failure to declare donations and for exceeding the permitted amount of pre-election expenses, and from those 7 decisions were made about application of administrative penalties for a total amount of LVL 10,215.39, but in 4 cases the administrative matter was terminated due to its insignificance, in 1 case a decision has not been made yet, and in 7 cases an order was issued to update an election income and expenditure declaration.

2 administrative violation records were executed for violations discovered in the procedure for completing income and expenditure declarations for the election on 12 March 2005 and annual financial declarations of 2004, as well as for provision of false information in declarations, including for failure to declare donations, and from those 1 decision was made about application of an administrative penalty in the amount of LVL 300.00, but in 1 case the administrative matter was terminated due to its insignificance, in 2 cases 7 cases an order was issued to update an election income and expenditure declaration, annual financial declaration and notification about donations.

Two administrative violation records were executed for violations discovered in annual income and expenditure declarations for 2004, by indicating false information therein, and from those 1 decision was made about application of an administrative penalty in the amount of LVL 250.00, in 1 case a decision has not been made yet, and in 1 case an order was issued to update an annual financial declaration.

One decision was made in addition to the violations discovered in provision of information in annual financial declaration in 2004, by giving an order to update a financial declaration.

On the basis of claim applications of the Bureau to court, operation of three political organisations was suspended and operation of four political organisations was terminated.

On the basis of decisions made by the Bureau about application of administrative penalties, 18 decisions have been sent to law enforcement officers for levy of fines, and 7 decisions from those have been fulfilled already.

Collaboration agreement "On Monitoring of Pre-election Agitation of Political Organisations and Their Associations before the Election of City Council, Area Council and Civil Parish Council in 2005" with Public Policy Centre "Providus" on the basis of the results of the announced tender, in January 2005, and the objective of the agreement was to obtain information about actual expenditure of political parties in the pre-election period which, in its turn, would be used in

annual financial declarations, pre-election period expenditure declarations of the parties for auditing of submitted information.

According to the draft regulation of the Cabinet of Ministers, which was elaborated by the Bureau, the Meeting of the Cabinet of Ministers on 22 March 2005 adopted “Regulations on Annual Financial Declarations, Pre-election Period Expenditure Declarations, Notifications about Planned Election Expenditure, Election Income and Expenditure Declarations, and Notifications about Donations of Political organisations (Parties)”. These regulations provide the sample forms of annual financial declarations, pre-election period expenditure declarations, notifications about planned election expenditure, election income and expenditure declarations, and notifications about donations of political organisations (parties) and their associations, as well as the procedure for submission, completing and publishing of the forms.

In order to prevent inequality among parties and elector associations, the Bureau prepared a Draft Law on Financing of Elector Associations in 2005, which provide the procedure in accordance with which elector associations shall be financed (sources, restrictions, liability of financing) and reports about financing received and used, as well as the competence of state institutions in monitoring the said area. Draft Law on Financing of Elector Associations was submitted to the Meeting of the State Secretaries for co-ordination of objections, on 27 December 2005.

Amendments to the Administrative Violations Code have been also developed by stipulating liability for violations of the financing conditions, for examine, provision of false data in reports, non-observance of restrictions of financing amount and mediation (draft law was submitted to the Meeting of the Cabinet of Ministers for review on 27.12.2005). Also, amendments to the Criminal Law have been prepared, which stipulate criminal liability for financing of elector associations by mediation if made to a large extent, and amendments to the Law on Election of City Council, Area Council and Civil parish Council, which delete conditions about financing of elector associations by stating that the provisions of financing of elector associations are provided by a special law (draft laws were submitted to the Meeting of the Cabinet of Ministers for review on 30.06.2005). But amendments to the Law on Corruption Prevention and Combating Bureau provide the competence of the Bureau in monitoring of financial operation of elector associations, *i.e.*, the right to charge guilty persons with administrative liability and to give orders to elector associations about repayment of any illegally received donations.

In order to ensure the fulfilment of the provisions of the Law on Financing of Political Organisations (Parties), the Bureau submitted draft regulation “Procedure in accordance with which information about personal income, savings and property shall be submitted upon request of the Corruption

Prevention and Combating Bureau” of the Cabinet of Ministers to the government for review on 7 March 2005.

The elaborated draft regulation of the Cabinet of Ministers provides the procedure in accordance with which persons who have made donations to political organisations shall submit information about their personal income, savings and property upon request of the Bureau. The third paragraph of Section 2 of the Law on Financing of Political Organisations (Parties) provides that natural persons shall be permitted to make financial donations from their income gained during three previous taxation years and stated in Sections 8 and 9 of the Law on Personal Income Tax.

Draft amendments to the Law on Financing of Political Organisations (Parties) were announced on 29 December 2005 in order to specify the procedure for repayment of any exceeded amount of pre-election expenditure.

Currently, the Law provides only a procedure for return of illegally received funds. While the legislator has limited the amounts of pre-election expenditure and established liability of parties for non-observance of this rule, it has not been specified, contrary to other situations stipulated in the Law, what is the procedure for repayment of such exceeded amount. In other words, currently parties can be charged with an administrative penalty for non-observance of pre-election expenditure limit (it is set at LVL 5,000), but it is impossible to ensure the transfer of relevant funds to the state budget. To improve the regulation, the Bureau drafted amendments ensuring the return to the state budget of any funds exceeding the limit of pre-election expenditure.

## **International co-operation and sharing of experience with other countries**

In order to share experience in corruption prevention and combating with other countries, the Bureau continued to actively participate to international anti-corruption initiatives in 2005. The Bureau has taken part to bilateral initiatives, such as visits strengthening collaboration with counterparts in Lithuania and Moldova. The Bureau has participated in regional and international anti-corruption activities organised by the UN, the Council of Europe, the Organisation for Economic Co-operation and Development (OECD), the Council of the Baltic Sea States. Officials of the Bureau have participated in trainings in Hong Kong, the U.S.A.

As a result, the Bureau has gained better understanding about the work in other countries and strengthened its capacities in corruption prevention and combating. The Bureau has promoted its activities and the image of Latvia. 2005 was also marked by the change of the Bureau from beneficiary of international aid to provider of assistance and expertise in anti-corruption matters to other countries, same as other public institutions in Latvia.

Representatives of the Bureau and the Special Intelligence Service (STT) met in March 2005. It was the first meeting at senior level between Latvian and Lithuanian specialised anti-corruption authorities after Povilas Malakauskas was appointed Director of the STT. The meeting focused on possibilities for future collaboration. On 9 September 2005, when representatives of the Bureau visited Lithuania, a bilateral co-operation agreement between the Bureau and STT was signed. The objective of the agreement is to ensure collaboration of both parties in matters related to corruption prevention, intelligence activities and investigation of criminal offences in their competence.



Meeting of representatives of the Lithuanian Special Intelligence Service (from left) with Aleksejs Loskutovs, Director, and Alvis Vilks, Deputy Director of the Bureau

In October 2005, 15 representatives from Bulgaria visited the Bureau for the purpose of learning about the national anti-corruption policy and activities to combat corruption in Latvia.

In September 2005 Director Aleksejs Loskutovs had a meeting with Director of the Economic Crime and Corruption Combating Centre of the Republic of Moldova, Valentin Mejinschi who visited Latvia during the visit of the State President of Moldova in Latvia. The meeting focused on experience of both authorities in the area of fight against corruption, for example, detection of criminal offences, monitoring of compliance with regulations on financing of parties, prevention of money laundering. During the meeting, the heads of the Latvian and Moldavian anti-corruption authorities acknowledged their mutual interest in collaboration and agreed on joint activities, exchange of information and experience. It was successfully put into practice after representatives of the law enforcement institutions from Moldova visited Latvia in October to exchange experience with Latvia in corruption prevention and combating. Moldavian delegations were introduced not only with the specifics of operation of the Bureau during training seminars, but also with the practice of the Prosecution Office, the Supreme Court, as well as the role of non-governmental organisations and mass media in studying, prevention and detection of corruption.



Representatives of Finnish law enforcement institutions visiting the Bureau on 23 May 2005

Director of the Bureau Aleksejs Loskutovs participated in the 11<sup>th</sup> UN Congress on Crime Prevention from 18 - 25 April 2005 hold in Bangkok, Thailand. Discussion addressed policies and strategies in the area of anti-corruption, provided forum for information and experience exchange for the purpose to improve practical co-operation in prevention, investigation and adjudicating of corruption. Special focus was on issues of political corruption, as well as corruption in the court system and in the private sector. Aleksejs Loskutovs noted in his speech at the UN forum that Latvia has shown its good intention to fight corruption by establishing a dedicated anti-corruption body - the Corruption Prevention and Combating Bureau - in October 2002. Director

emphasised, by informing the participants of the Congress about a decision of the Government of Latvia to ratify the UN Convention against Corruption, that such a step by the Government is another testimony of the willingness of Latvia to prevent and combat corruption.

A representative of the Bureau participated in the 14<sup>th</sup> session of the UN Commission on Crime Prevention and Criminal Justice in Vienna, Austria, in May 2005. Representatives of the Bureau have attended also trainings about implementation of the UN Convention against Transnational Organized Crime and the UN Convention against Corruption, as well as in the Regional Forum for Eastern and Central European Anti-Corruption Institutions which was organised within the framework of the UN Development Programme.

The Bureau represents Latvia in the Council of Europe Group of States against corruption (GRECO) participating in the mutual evaluation process. In 2005, the Bureau participated in three GRECO plenary sessions in Strasbourg:

- 22<sup>nd</sup> GRECO plenary session, 13 – 19 March 2005 – assessment reports on Denmark, Sweden, Albania, the Czech Republic, the Netherlands, and Hungary;
- 23<sup>rd</sup> GRECO plenary session, 16 – 21 May – assessment reports on Lithuania, Spain, Bosnia and Herzegovina, Malta, Finland, and Slovenia.
- 24<sup>th</sup> GRECO plenary session, 26 – 1 July – assessment reports on Germany, Bulgaria, Malta, Portugal, Luxembourg, Spain and the United Kingdom.

The Bureau also took part to the GRECO meeting, at which the agenda of the next GRECO evaluation round planned for 2007 was agreed. The next round will focus on financing of political parties and election campaigns that will be assessed against the Council of Europe Recommendation Rec(2003)4 “On common rules against corruption in the funding of political parties and electoral campaigns”. Assessment of the implementation of requirements of the Council of Europe Criminal Law Convention on Corruption in the national legal system will be continued as well.

The Bureau, in collaboration with the Ministry of Foreign Affairs, supports accession of Latvia to the OECD Working Group on Bribery that would ensure joining the OECD Convention on Combating of Bribery of Foreign Public Officials in International Business Transactions.

A representative of the Bureau participated in the evaluation meeting of the OECD Baltic Regional Programme in Paris on 18 April 2005. The meeting provided an evaluation of the implementation of the Baltic Anti-corruption Initiative. Representatives of the OECD member countries expressed their interest in the activities for corruption prevention and combating in Latvia and active operation of the Bureau. Baltic Anti-corruption Initiative was a programme financed by the OECD member countries and implemented in 2002-



2004. Within the framework of the programme, the legal and institutional basis of preventing and fighting corruption in the Baltic States was evaluated and about ten thematic events of exchange of experience and information were organised. The project provided and opportunity of regular meetings of Latvian, Lithuanian and Estonian anti-corruption authorities. It also provided opportunity to learn from experts from the Nordic countries and other OECD member countries.

Representatives of the Bureau continue their participation in the activities organised by the Secretariat of the OECD Working Group on Bribery. Alvis Vilks, Deputy Director (Prevention) participated in the 6<sup>th</sup> General Meeting of the Anti-Corruption Network for Transition Economies on 30-31 May 2005 in Istanbul, Turkey. About 100 representatives from Eastern European, Caucasian and the Central Asian countries participated in this meeting and assessed the implementation of the international anti-corruption standards in this region, discussed efficient ways of assessment of anti-corruption policies and trends, shared experience in establishing and operating specialized anti-corruption bodies, as well as discussed political corruption. At the meeting, Alvis Vilks shared the experience of Latvia with regard to development of legislation on monitoring of political party financing and progress achieved by the Bureau in enforcing the law.



The 6<sup>th</sup> General Meeting of the Anti-Corruption Network for Transition Economies organised by the OECD, 30-31 May 2005, Istanbul

Representatives of the Bureau participated as experts in the activities of the Istanbul Anti-Corruption Action Plan for Armenia, Azerbaijan, Georgia, Ukraine, Kyrgyz Republic, Kazakhstan, and the Russian Federation implemented by the Secretariat of the OECD Working Group on Bribery. The purpose of the Action Plan is to provide recommendations for development of anti-corruption regulation and for strengthening of anti-corruption institutions, as well as to assess the progress and how these recommendations are implemented. Recent transition and reforms experience of Latvia, historical similarities in legal and political systems, as well as the practical experience of the Bureau is useful when taking part in such projects in our region. The expert

of the Bureau was one of the evaluators of the anti-corruption system of Kazakhstan in May 2005 by giving the expert's recommendations about necessary amendments to regulations that would facilitate corruption prevention in Kazakhstan. A representative of the Bureau together with the Chief Prosecutor of the Prosecution Office and a representative of Public Policy Centre "Providus" participated in an assessment visit to Tajikistan in November 2005. The expert team assessed efficiency of latest implemented anti-corruption policy, legal basis and authorities, as well as compliance with recommendations, and drafted a report.

A representative of the Bureau participated in the seminar organised by the Organisation for Security and Co-operation in Europe (OSCE) and the Prosecutor Training Institute of the Prosecutor General Office of Kazakhstan in May 2005 and shared experience in corruption prevention and combating in Latvia.

Director Aleksejs Loskutovs participated in a meeting of the special commission for the fight against organised crime of the Council of the Baltic Sea States, which was held in Helsinki, Finland in June 2005.

Aleksejs Loskutovs, Director, and Juta Strīķe, Deputy Director, had a meeting with the Ambassador of the United States to Latvia Catherine Todd Bailey on 2 August 2005. During the meeting, the Director of the Bureau informed the Ambassador about the results achieved by the Bureau. Particular attention was given to prevention of money laundering. The Bureau emphasised that an important step for reduction of opportunities for money laundering was the draft concept about improvement of control over personal income, which had been prepared by the Bureau and submitted to the Government for review.



Representatives of the Bureau meeting with the Ambassador of the United States Catherine Todd Bailey

By continuing the collaboration started in 2004, two representatives of the Bureau participated in the 6<sup>th</sup> international conference "Corruption Combating: Exchange of Ideas and Experience, Strengthening of Collaboration" in Raesfeld, Germany in September 2005. Representatives of the Bureau provided

information about the normative and institutional basis of Latvia in the area of fight against corruption.

Two representatives of the Bureau participated in a conference on combating of economic crime, which was organised by the Council of Europe and the Ministry of Justice of Portugal, in Lisbon, in September 2005. Representatives of the Bureau shared their experience about corruption and organised crime in the context of economic crimes.

Two representatives of the Bureau participated in international conference "Fraud and Corruption in the Healthcare System in Europe" in Bratislava, Slovakia in October 2005. The conference adopted the European Healthcare Fraud and Corruption Network Constitution. Decision was made that the secretariat of the network will be seated in Brussels. Several recommendations were also approved during the conference for restriction of corruption in healthcare.

Conference "Human Rights and Police Behaviour" was organised by the Ministry of Justice of Portugal, in Lisbon on 10 – 11 November 2005, and the Latvian delegation included Deputy Director of the Bureau for corruption combating affairs, Jūta Striķe. The conference was held in accordance with the final declaration on future collaboration approved by Conference "Improvement of Operational Collaboration in the Area of Corruption Combating in the European Union" of Vienna in November 2004.

International conference was held in Chisinau, Moldova, on 9 December 2005 where a representative of the Bureau shared the experience in development of the National Programme for Corruption Prevention and Combating for 2004-2008 and elimination of issued in implementation thereof.

Employees of the Bureau continued their participation at international training events in 2005. A representative of the Bureau participated in training organised by the Professional and Postgraduate School under the University of Hong Kong, within the framework of the World Bank project from 5 September till 23 September 2005, and received the Postgraduate Certificate in Corruption Studies. Courses comprised of 6 modules, including the introduction to corruption, corruption typology and systemic approach to minimization of corruption, comparative analysis of anti-corruption strategies, legislation, investigation activities and corruption prevention and education.

Representatives of the Bureau participated in a meeting of the European Working Party, which was organised by the Fraud Combating Department of the UK National Health Service in London, the United Kingdom, on 29 September 2005. During the meeting, the representatives of the Bureau discussed

corruption and fraud combating in the healthcare system with other specialists from the United Kingdom, the Netherlands and Norway.

Director of the Bureau, Aleksejs Loskutovs was on a business trip to the U.S.A. from 25 October till 17 November 2005 in order to participate in international manager training programme “Liability in Public Administration and Private Sector” organised by the US Department of State.

Bringing Latvian laws and regulations in line with the international anti-corruption standards was continued in 2005 thus supporting the work of the Bureau. Saeima (Parliament) adopted the law on adoption of the UN Convention against Corruption in November 2005. The UN Convention is so-far the most comprehensive international instrument against corruption. In order to ensure full compliance of the normative basis and the Criminal Law, particularly, with the Convention on the Protection of the European Communities’ Financial Interests (“PIF Convention”) and its Protocols, especially related to liability of managers of enterprises and legal persons, amendments to the Criminal Law were prepared, and the new Criminal Procedure Law entered into force on 1 October 2005. Also, with the adoption of the new Criminal Procedure Law the extradition to Member States of the European Union was extended to corruption-related offences and fraud endangering financial interests of the European Union.

In 2006 the Bureau will continue supporting one of the foreign policy priorities in Latvia – accession to the OECD Working Group on Bribery and the OECD Anti-Bribery Convention. In such a way, Latvia would follow the example of such OECD non-member states as Argentina, Brazil, Bulgaria, Chile, Estonia and Slovenia that have joined the group and Convention.

## **Efficiency of the internal control system and planned improvements to implement recommendations of internal audit**

The Internal Audit Division has been established in the Bureau for making of audit in the institution, in accordance with the Internal Audit Law of 31 October 2002 and Clause 2 o Order No. 223 of the Prime Minister of 15 may 2003 “Amendments to Order No. 25723 of the Prime Minister of 11 February 2003 “On Internal Audit System in Institutions Directly Subordinated to the Prime Minister”.

In accordance with the annual strategic and auditing plans developed by the Internal Audit Division, four audits were planned and performed in the Bureau during 2005 by using the actually planned 120 days.

Systems for the Bureau corruption combating, the Bureau corruption prevention, information technologies, provision of activities of the Bureau were audited in 2005. General conclusions can be made that internal control of the system under auditing has been established and is operating although improvements are required in several stages in the internal control procedures.

The following internal audit plans developed and approved during the accounting year:

- Plan of the Internal Audit Division of the Bureau for 2005;
- Updated Strategic Audit Plan of the Internal Audit Division of the Bureau for 2005-2009.

As a result of the audit, 22 recommendations were elaborated and confirmed for improvement of the internal control system, and a high priority status (13 recommendations) and average priority (9 recommendations) has been set to them.

The purpose of audit recommendations is improvement of the internal control system and elimination of deficiencies in order to ensure compliance of operation of the Bureau with the regulations and the policy of operation of the Bureau.

Main recommendations of selected system audits:

- In the area of “corruption combating (investigation)”:
  - develop a draft order about amendments to the procedure of circulation of documents with regard to requests from investigators and approval thereof;
- In the area of “corruption prevention”:
  - develop a draft procedure that would stipulate the process, procedure for audit of declarations of officials, as well as sequence of audit files;

- completely develop methodology for control of declarations submitted by public officials, in order to ensure fulfilment of the tasks set in the National Programme for Corruption Prevention and Combating for 2004-2008;
- In the area of “Information technologies”:
  - make necessary changes with regard to holders of information resources and technical resources of the personal data processing system of the Bureau;
  - register with the Data State Inspectorate in accordance with the procedure provided for in the Personal Data Protection Law;
  - In order to ensure the requirements set in Regulations No. 40 of the Cabinet of Ministers of 30 January 2001 “Compulsory Technical and Organisational Requirements for Protection of Personal Data Processing System” and Instruction No. 1-4/8 “Information System Security Rules” approved by the Director of the Bureau on 4 November 2004.”
  - develop a procedure for the use of information resources;
  - develop data updating procedures in case of damage of technical resources and interrupted or impossible functioning of the information system.

Five system audits are planned for 2006 in the areas of: policy and management, financial management, human resource management, information technology, as well specific system of the Bureau.

## Budget information

### State budget allocations and expenditures in 2005

(in Latvian lats)

No.	Resources	Previous year (actual execution)	The accounting year	
			Approved by law	Actual expenditures
1	Funding for covering expenses (total)	1 976 759	2 521 686	2 423 032
1.1	Subsidies	1 976 759	2 143 577	2 143 577
1.2	Paid services and other own revenue	-	-	-
1.3	Foreign financial aid	-	378 109	279 455
2	Expenditure (total)	1 758 340	2 521 686	2 408 380
2.1	Maintenance expenses (total)	1 668 385	2 052 214	1 995 697
2.1.1	Subsidies and grants, including payments to international organisations	3 679	4 028	4 027
2.1.2	Other maintenance expenses	1 664 706	2 048 186	1 991 670
2.2	Expenses for capital investment	89 955	469 472	412 683

Funding provided for the Bureau in 2005 is 2,408.4 thousand LVL. Comparing to the previous year the amount has increased by 37%. It is mainly related to the implementation of EU *Phare* project “Development and Strengthening of the Corruption Prevention and Combating Bureau”, and granting of additional subsidies from general revenues for provision of the activities of the Bureau. Full payments have been made for procurement of equipment for the conference hall of the Bureau and development of technical specifications for the integrated data network and a local data bases, as well as for purchase of a server within the framework of the EU *Phare* project according to the entered contracts, but all payments for other contracts have been made with regard to advance and final payments planned for a respective period.

## **Results of projects funded by foreign and international institutions**

Since 2004 the Bureau is actively implementing the **EU *Phare* project “Development and Strengthening of the Corruption Prevention and Combating Bureau”**. Total project budget is 2.1 million EUR, and it consists of seven procurement contracts. It is scheduled to complete the project in autumn of 2006.

All procurement contracts were concluded until the final term of 30 November 2005 stipulated in the Financial Memorandum signed between the European Commission and the Republic of Latvia about granting aid from the funds of the EU pre-accession financial instruments; part of these contracts has been fulfilled already.

With the EU financial support the Bureau has considerably improved its material and technical provision; within the framework of this project it has acquired:

- equipment for the conference hall has been purchased for the total amount of EUR 30,708.18 comprising of a discussion microphone and sound system, simultaneous interpreting systems, and system control devices;
- special intelligence equipment for the total amount of EUR 19,126.31;
- audio and video equipment for the total amount of EUR 9,732.66;
- software for graphic demonstration (visualisation) and analyzing of data for the total amount of EUR 85,332.89.

The *Phare* project provides for development of an integrated data base with other institutions and a local data base of the Bureau, as well as interface with external information systems. It would give an opportunity in future to select and store data in the system of the Bureau from the Ministry of the Interior, the State Revenue Service, the Land Register, the Register of Enterprises, as well as other institutions. The Bureau has already concluded three contracts for this purpose:

- development of technical specifications for the total amount of EUR 22,800;
- purchase of servers for the data base for the total amount of EUR 24,031;
- development of the integrated information system and a local data base for the total amount of EUR 391,590.55.

Three service contracts have been concluded for enhancing of the institutional and professional capacity of the Bureau in the total amount of EUR 291,430. These contracts provide for technical assistance of local and international experts in order to improve the knowledge and skills of the Bureau in such areas



as public awareness, general training of officials, prevention of “state capture” and monitoring of financing of political parties, use of state and local government funds and property, etc.

The project aims to provide the Bureau with methodological guidelines: how to educate and inform about corruption; how to ensure compliance with the standards of ethics of both the general public and public officials; to give recommendations about decreasing of the effect of “state capture” on the state power by improving the environment of activity of political parties and transparency of the lobbying process, as well as to train employees of the Bureau about use of state and municipal funds and property; EU legislation and the practice in this area.

In the beginning of 2005, the Bureau recruited international anti-corruption advisors whose work was financed by the **World Bank via financial aid granted by Japan**. Objective of the project was ensuring of assistance in strengthening of the institutional capacity of the Bureau. Final project activities were carried out in February 2005, in the scope of which the Director of the Internal Investigation Bureau of the Ministry of the Interior of Austria issued recommendations to the Bureau in corruption combating matters. Total project price: USD 84,030.

In 2005 the Bureau continued to implement the **World Bank project “Strengthening of the Institutions Involved in Corruption Combating”**. In its framework, Christian D. de Fouloy, expert in lobbying, also President of the Lobbies' Association accredited by the European Parliament, with long-term experience in protection of the interests of private companies to the government, visited Latvia in 19 – 27 September and developed recommendations how to introduce the legal regulation of lobbying in Latvia.

Work has started on other topics of this project: experts have been selected to promote the introduction of the Code of Ethics of Saeima (parliament); terms of reference have been developed for assessing the efficiency of prevention of conflict of interests and assessing of the legal regulation of pre-electoral campaigns; companies have been selected for fulfilment of the most important contract “Strengthening of Capacity of the Corruption Prevention and Combating Bureau”, the commencement of which is planned in February 2006. Total project price: USD 235,000. Co-financing from the state budget of Latvia has also been granted.

The Bureau has started implementation of project “**Prevention of Conflict of Interests and Ethics in the Public Administration**” in collaboration with experts of the OECD and EU SIGMA Programme, the Public Administration School and the State Revenue Service in 2005. Implementation of the project is co-financed by the British Embassy in Latvia. Training material of the project

will be available to public administration officials, including employees of municipal institutions, and educational material will be developed after its implementation about conflict of interests and ethics in public administration, in on compact disks. Educational materials will include videos with various situations of conflict of interest; texts about ethical issues in the public administration; Latvian and other laws and regulations, as well as policy documents in the area of corruption prevention. The said materials are intended for various target audiences. This material under development is based on training set “Public Sector Ethics Resource Series” (Australia, 1998), and project “Prevention of Conflict of Interests and Ethics in the Public Administration” to be implemented by the Bureau is an adaptation of the mentioned material for the situation of Latvia. At the present moment, revised and adapted film scenarios have been prepared, fragments of texts about corruption and ethical issues in the public sector have been translated, as well as other materials for inclusion in compact discs have been prepared.

## Staff of the Bureau

In the beginning of 2005, there were 112 staff members in the Bureau (93 officials and 19 employees), but at the end of 2005 - 123 (103 officials and 20 employees). There were totally 128 vacancies in the Bureau in 2005.

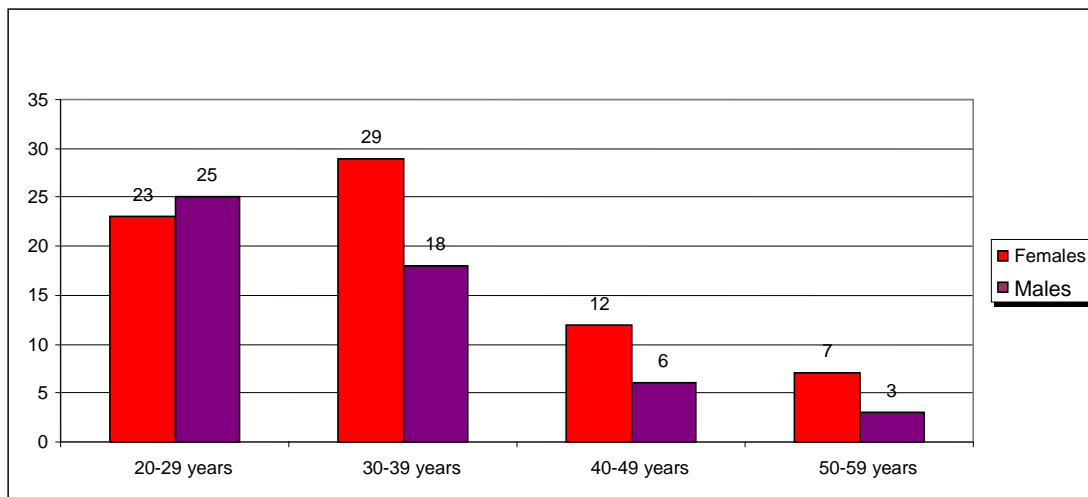
<b>Breakdown of vacancies filled-in</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
Director	1	1	1
Deputy directors	2	2	2
Heads and deputy heads of divisions	18	17	17
Investigators, senior experts and experts	90	92	103
<b>Total</b>	<b>111</b>	<b>112</b>	<b>123</b>

18 officials have been appointed and 4 employees have been hired in the Bureau in 2005, but 10 officials and 1 employee has been dismissed. At the end of the accounting period, there were 5 vacant posts in the Bureau.

Staff rotation ratio\* in the Bureau was 0.3 in 2005.

At the end of 2005, there were 52 male and 71 female staff in the Bureau. Average age of the staff is 34 years.

**Figure 8. Breakdown of the employees of the Bureau per gender and age**



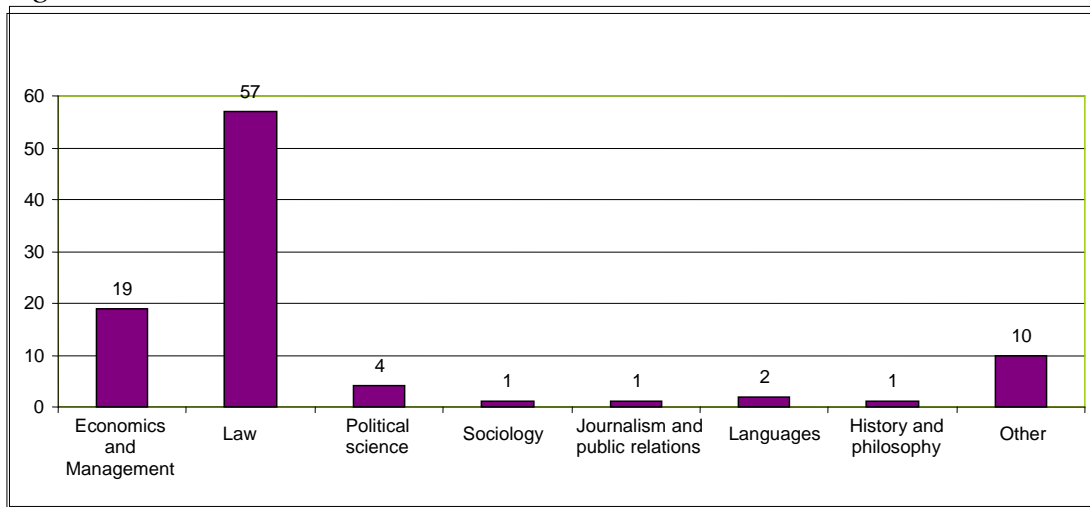
\* Staff rotation ratio = (number of hired persons + number of dismissed persons)/average number of persons

## Training and improvement of qualification of the staff members

At the end of 2005, there were 95 employees with higher education, 8 employees with secondary education and 6 employees with secondary special education in the Bureau, 14 employees are continuing their studies for achieving higher education.

66 employees of the Bureau have acquired professional higher education, 5 employees have the Bachelor's degree, 22 employees have the Master's degree, 1 has the Doctor's degree, and 1 employee has achieved his degree abroad.

*Figure 9. Education of the staff members*



In 2005, the employees of the Bureau participated in 41 various training events (courses, seminars) including foreign language courses (English, French, German). Training provided by the Public Administration School was used for improvement of the qualification of the employees, and seminars organised by the Bureau specifically for the employees of the Bureau, courses and seminars offered by various training centres, as well as training organised within the framework of foreign funding projects.

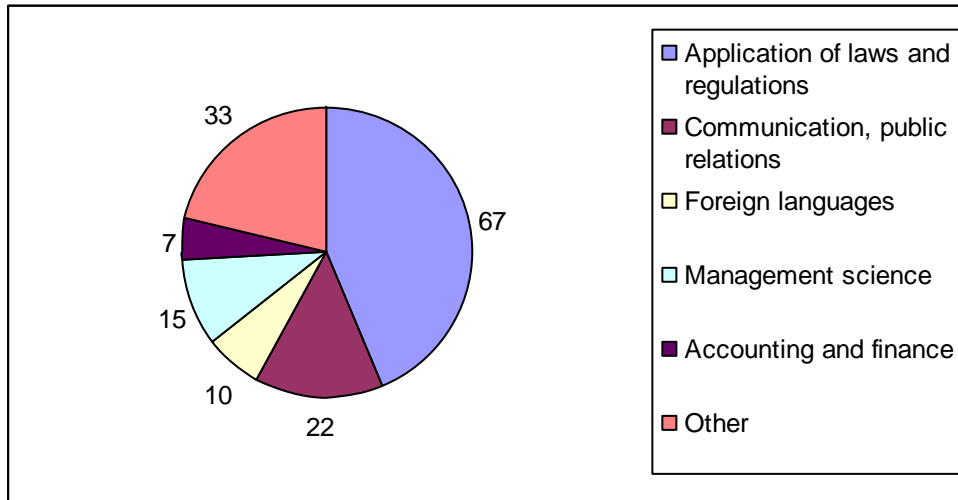
The most important courses that were attended by the employees of the Bureau were about the application of the Criminal Procedure Law, operation of the Administrative Procedure Law, about current events in the field of insurance, "Efficient Business Communication", "First Aid", and other.

In order to improve their knowledge in the field of management science, heads of the Divisions participated in a two-day seminar "Personnel management skills".

Several employees of the Bureau attended a seminar organised by the Public Administration School where they acquainted themselves with the experience of

America in corruption prevention, as well as the status and political independence of the U.S. Ethics Commission.

**Figure 10. Number of Bureau staff attending training, by topic of training**



Amendments to the Law on Corruption Prevention and Combating Bureau entered into force on 1 March 2005, which are related to several matters of human resource management. Compulsory requirements for candidates were supplemented by stating that an official of the Bureau may be an individual who has acquired higher education and has not been staff or freelance employee, agent, resident of the Ministry of Defence of the U.S.S.R., the State Security Committee of the U.S.S.R. or the Latvian S.S.R. or non-member states of the EU or the North Atlantic Treaty Organisation, or the state security service, intelligence service or counterintelligence service, or a holder of secret address.

The amendments to the Law stipulate that evaluation of activities of officials and employees of the Bureau, as well as results shall be done at least twice a year in accordance with the procedure provided for by the Director of the Bureau.

There have been no considerable changes in the structure of the Bureau in 2005 (see the structure of the Bureau in Figure 11).

Figure 11. Organisational structure of the Bureau

## CORRUPTION PREVENTION AND COMBATING BUREAU

