



**Corruption
Prevention and Combating
Bureau**

**PUBLIC
REPORT**

2006

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Dear Reader!

Year 2006 for the Corruption Preventing and Combating Bureau was the time to prove its professionalism and efficiency at work. Assessing the situation in general, it can be said that the level of corruption in our country most likely is decreasing, and with the increasing efficiency and experience accumulated by Bureau's staff the nature of corruption is less hidden and more and more crimes become detected.



Photo: F64

Not only mass media and the society are keeping up with criminal cases investigated by the Bureau and sentences in these cases, but also dishonest officials are losing the feeling of impunity. The most important is that the society demonstrates its growing intolerance towards unlawful actions of officials.

There is also a growing trend that detected criminal acts become more sophisticated. It is witnessed also by concrete facts: public officials are called to responsibility for bribe-taking even in such specific spheres as procurement or consideration of cases in court.

Analysis of results of Bureau's work shows that the most brutal way of bribe-taking - extortion - is diminishing in recent times, so the bribe-taker is aware that the person who does not want to pay may come to us for help. And still, there are quite a few people who continue thinking that bribe will help to solve all problems and they are very much surprised when it turns out that the public official is incorruptible and the briber himself is held criminally liable.

Positive results have been achieved by monitoring carried out by the Bureau in the field of control of finances of political organizations and advice provided on meeting the requirements of law in this area: most political parties try to respect requirements of law. Second half of 2006 was also a challenging time: it was the first parliamentary election after pre-election campaign spending limits entered into force. The Bureau could for the first time during its existence carry out a full monitoring of this process throughout the election campaign period as prescribed by law. Since the Parliament has not adopted the Draft Law on Pre-Election Campaigning that would provide a procedure for placement of political advertising materials sponsored by third persons, it considerably hampered possibilities to control

political advertising materials disseminated by third persons, which, in turn, caused a wide public response.

Unfortunately, advancement and adoption of several important draft laws was dragged out also in other areas, for example, on introduction of general declaration of personal income and leasing out property of the State and local governments, thus hindering efficient implementation of anticorruption policy.

The Bureau's work on corruption preventing and combating as well as on education of the society on anticorruption matters has inspired a crucial change in public views about corruption. Compared to 2005, in 2006 the Corruption Perception Index annually prepared by the *Transparency International* has grown for Latvia from 4.2 up to 4.7 (10 being the highest score), which is the biggest increase since 1999. Also the *Freedom House* in its annual report concluded: "Latvia's anticorruption organization, the Corruption Prevention and Combating Bureau, is becoming more sophisticated and has accelerated its investigations of "big fish." The KNAB has become one of the most trusted organizations in Latvia, and people are increasingly willing to inform officials about observed corrupt activities".

Our mission remains: "We take action against corruption for the good of society and the national interest with the full strength of law and public support, in order to achieve integrity in the exercise of power entrusted to public officials". The Corruption Preventing and Combating Bureau will continue working honestly and professionally with the aim of strengthening public trust.

Aleksejs Loskutovs



Corruption Preventing and Combating Bureau,
Director

Introduction

In 2006 the work of the Corruption Preventing and Combating Bureau (hereinafter – the Bureau) in the field of preventing and combating of corruption has been more efficient than in previous years. Compared to 2005, more cases were sent for criminal prosecution as well as the number of persons suggested to be held criminally liable increased.

Also all-time high number is noted in criminal cases initiated by the Bureau and tried in various court instances. For example, in the first instance only eight criminal cases were tried in 2005 while in 2006 - already 26 criminal cases. In two cases that were associated with commitment of a criminal offence or a less serious violation there have been made up settlements with the victim (a local government or a private person) while in all other cases the court has found the accused persons guilty in committing an illegal act. Till the end of the year only one verdict of "not guilty" has come into force while in other cases the verdicts of "not guilty" have been contested by offices of public prosecutor by entering their protests both under appeal procedure or cassation procedure.

In accordance with the Cabinet of Ministers Regulations No. 314 of 25 April 2006 "Regulations on results of programmes and sub-programmes of ministries and other central state institutions for 2006", within the respective time period a review has been prepared on corruption situation in the country in 2005. The work has been started on a review on corruption situation in the country in 2006. Declarations of 1,518 public officials have been checked, which is by 518 more than it was planned. 19 draft legal acts have been prepared, and 123 opinions have been provided on other draft legal acts. The Bureau staff members examined 1 240 applications and complaints, participated in 43 intergovernmental working groups and meetings, which is by 33 more than it was planned, organized 52 events in the field of public education with total audience of about 1,060 persons. In last year 167 decisions were taken on holding public officials administratively liable, which is by 27 more than it was planned. 51 criminal procedures in 2006 were initiated, of which 41 were sent for criminal prosecution against 65 persons in total.

With growing awareness of population about the essence of corruptive violations as well as their awareness of problems within the Bureau's competence, each year shows a little reduction in number of applications received in the Bureau, but their content, in its turn, has become more substantiated and gives more detailed information about corruptive violations. For example, in 2005 the Bureau received 383 complaints about possible violations or everyday disagreements that were within the competence of the State Police or other institutions while in 2006 the Bureau received by 161 less such applications.

The year 2006 demonstrated the growth in number of such cases where the unlawfulness was discovered in concreted actions by groups of persons. Very problematic was the sphere of procurement for the needs of the State and local governments, which is witnessed by more criminal cases investigated by the Bureau.

The year 2006 is also notable with establishment of elements of criminal offences in actions of high-ranking public officials. Case with bribery at elections of Jurmala city mayor has stimulated a public discussion on political corruption, its consequences and responsibility of elected officials before the electorate.

Although in 2006 the work in the Bureau was carried out in a regular manner, many successful investigation actions have resulted in a wide publicity. We can mention here the examples when for the first time in Latvia two judges have been detained for bribery or when court proceedings took place in political corruption case with bribery at elections of Jurmala city mayor.

In 2006 a great work has been carried out on improvement of legal regulation in the sphere of financing of political parties, prevention of conflict of interest of public officials, leasing of public property as well as development of the policy document on most suitable solution for legal regulation of lobbying in Latvia.

In 2007 the Bureau is looking forward for support from the Government and the Parliament in adoption and introduction of draft laws prepared by the Bureau: Draft Law on Lease of State and Local Governments Property as well as Draft Law on Prevention of Conflict of Interest.

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 parties

The Bureau shall monitor compliance with party financing regulations by political parties 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.

Structure of the Bureau

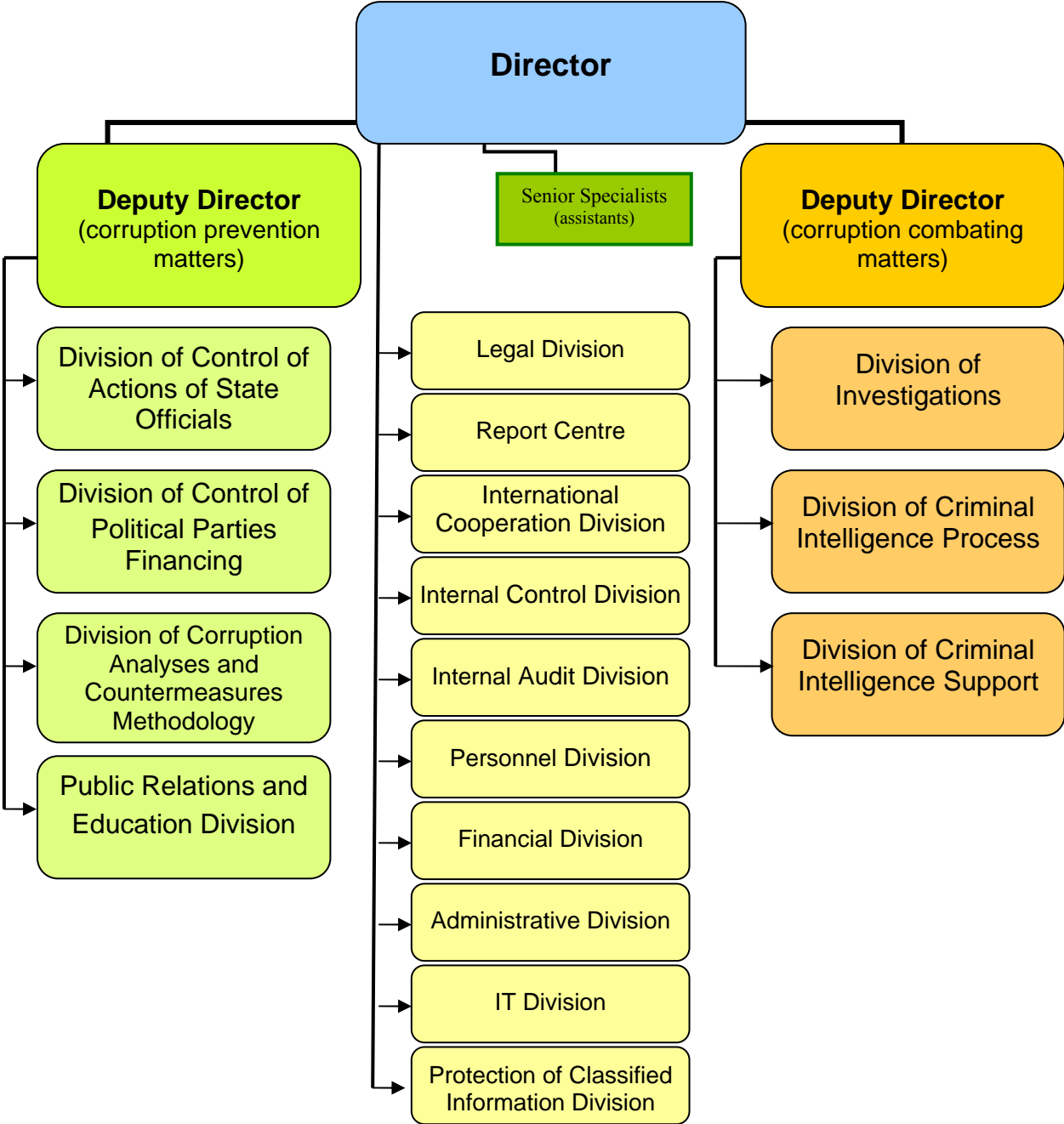
Work of the Bureau is managed by its Director who is appointed to this position for the term of five years by the Parliament on the recommendation of the Cabinet of Ministers.

Director of the Bureau is responsible for fulfillment of functions of the Bureau, decides on competence in dealing with cases and making decisions, determines duties, rights and tasks of officials and employees, as well as approves in-house standard acts regulating the Bureau's activity and submits to the Cabinet of Ministers a draft request for necessary state budgeting. The Director of the Bureau has two deputies: Deputy Director for Corruption Combating Matters (Investigation) and Deputy Director for Corruption Prevention Matters.

No major changes in the structure of the Bureau were made in 2006. From 1 May 2006 the Bureau has been additionally assigned 20 additional staff positions that have been distributed as follows: the Corruption Combating Branch – 10 positions, including in the Investigation Division – 6 positions, Division of Control of Public Officials Activities – 5 new positions, and 1 position for international cooperation, as well as 1 position for the Legal Division, the Report Centre, the Financial Division, as well as position of a specialist – assistant of the Bureau.

From 1 June 2006 the International Cooperation Division was formed subordinated to the Director of the Bureau, with three official positions (head of the division, 2 senior specialists), thus separating the function of international cooperation from the Public Relations and International Cooperation Division that, in its turn, was renamed into the Public Relations and Education Division. Structure of the Bureau is shown on Chart 1.

Chart 1. Structure of the Bureau

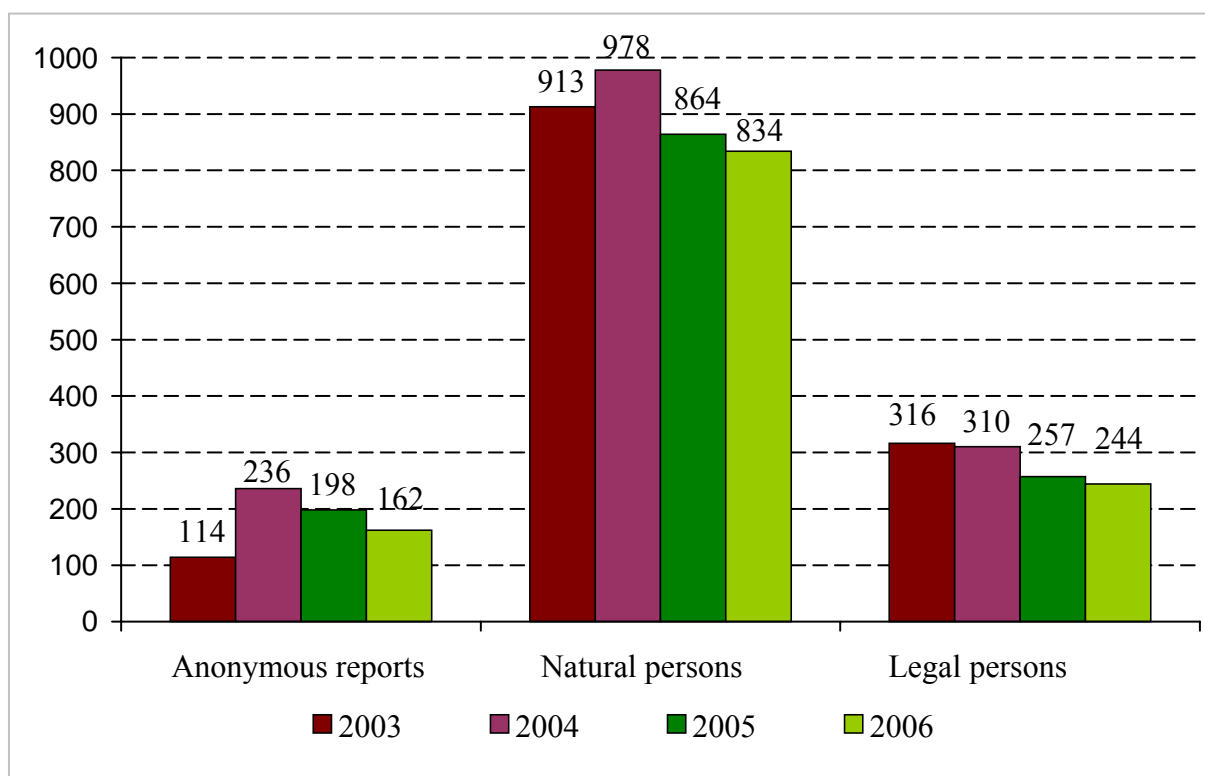


Main Results

In 2006 the Bureau continued its successfully started work on corruption prevention and combating.

In 2006 in total **1,240** reports have been received on possible corruptive actions of public officials, of which **834** were reports from natural persons, **244** – from legal persons and **162** anonymous complaints (see Chart 2).

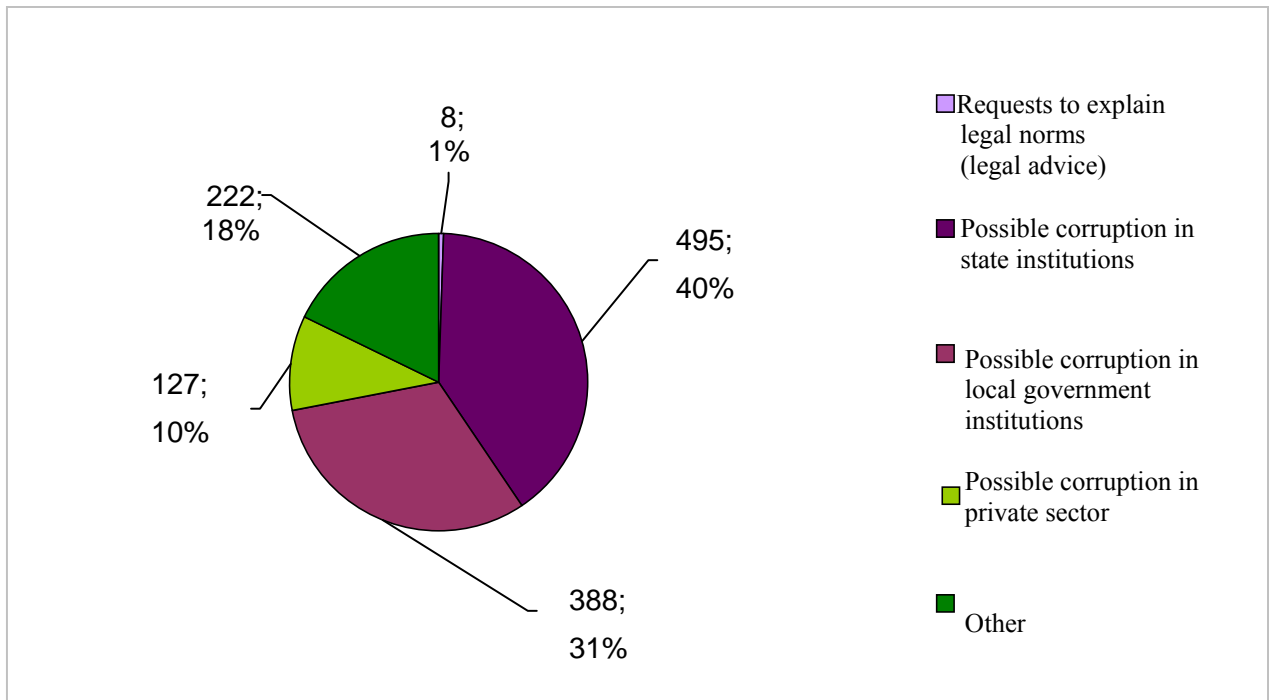
Chart 2. Reports received by the Bureau, 2003 - 2006



In 2006 the Report Centre was visited by **194** persons and **1,110** times information was received by free hotline (**8002070**). In 2006 one of the priorities was to provide citizens with a possibility to deliver information also in off-work hours of the Bureau. As a result a voice mail has been set up, and it is operating 24 hours a day since May 2006.

Still the received applications contain mostly indications of possible corruptive violations and unlawful actions of officials in state institutions - 495 applications compared to 430 in 2005. 388 applications have been received about possible violations in local government (401 in 2005) and 178 (46%) of these applications had indications of unlawful actions with immovable property of local governments (issue of building permits, privatization of apartments, lease out of land, etc.) Information on possible unlawful activities in private sector has been received 127 times; while explanation of legal norms has been requested 8 times (see Chart 3).

Chart 3. Content of reports received by the Bureau in 2006



The Bureau has received and registered altogether **11,988** documents, which is by 42% or 3,546 documents more than in previous year. The Bureau has sent **12,333** documents to authorities of the State and local governments, natural and legal persons.

Results in Corruption Prevention

Prevention of Conflict of Interest in Activities of Public Officials

Control over activities of public officials and prevention of their conflict of interest is one of main fields of Bureau's work aimed at ensuring that state administration institutions act in the interests of the society and at preventing the influence of personal interest upon activity of public officials and decision-making process.

Summary of Results

In 2006 the Bureau has received for review **679** reports and complaints on possible violations of the Law "On Prevention of Conflict of Interest in Activities of Public Officials" and of other relevant restrictions.

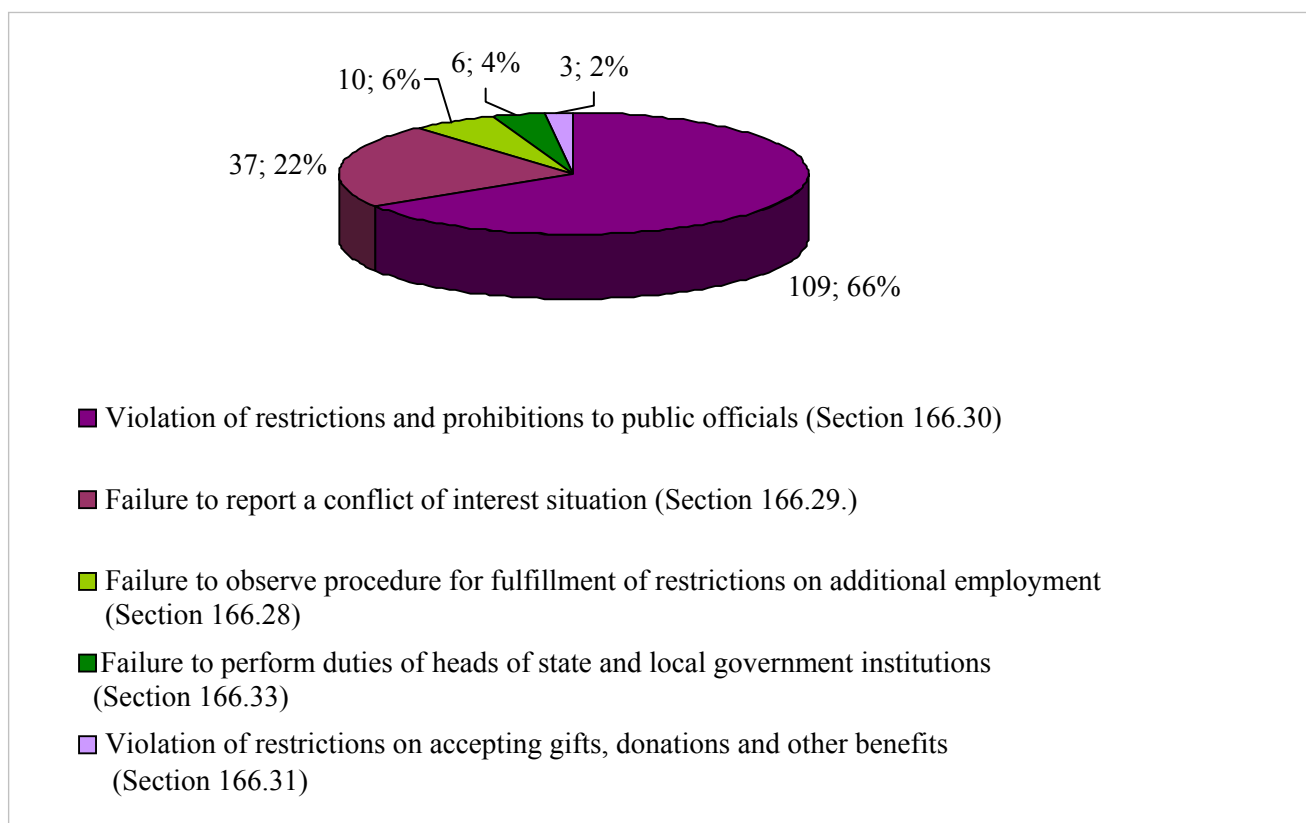
Replies were prepared to **608** applications and complaints. In the process of preparing these replies, **180** inquiries have been carried out in various public and local government institutions; declarations of **1,581** public officials have been requested from the State Revenues Service (hereinafter – the SRS) as well as downloaded from the SRS-managed "VADIS" database of declarations of public officials'; **631** public officials have been checked; altogether information in **1,518** declarations of public officials was assessed.

Compared to previous year, the number of complaints received and the number of persons held administratively responsible has remained on previous level. Meanwhile, considerable growth is seen in the number of cases where an administrative violation was established and where due to their lapse the proceedings were impossible to be started any longer. While in 2005 only 15 such cases were fixed, in 2006 – already 99. In all these cases in accordance with the Law on Corruption Preventing and Combating Bureau the public officials were warned on inadmissibility of further such violations of law.

105 public officials have been called to administrative responsibility for failure to observe restrictions established for public officials in the Law "On Prevention of Conflict of Interest in Activities of Public Officials". Another **90** public officials have been fined in total amount of **Ls 5,870**. **17** public officials have been relieved from administrative responsibility in accordance with a procedure specified in the Administrative Violations Code of Latvia (Section 21).

In 2006 the Division of Control of Public Officials Activities in total has detected **165** administrative violations, of which in 109 cases or 66% an administrative violation is associated with infringement of restrictions and prohibitions imposed on public officials. Second most widely spread violation is failure to report conflict of interest by a public official (see Chart 4).

Chart 4. Administrative violations detected in 2006 (by Sections of Administrative Violations Code of Latvia)



Respect of Restrictions Established for Public Officials

In 2006 the Division of Control of Public Officials Activities has established **215** violations of restrictions imposed for public officials by the Law “On Prevention of Conflict of Interest in Activities of Public Officials”. In most of the cases (**61** case) public officials have violated provisions of Section 11 of the Law “On Prevention of Conflict of Interest in Activities of Public Officials”, which specifies that public officials shall be barred, when executing their duties of a public official, from preparation or issue of administrative acts, performance of supervision, control, inquiry or punitive functions, conclusion of contracts or taking other actions in which such public official, his relatives or business partners are personally or materially interested.

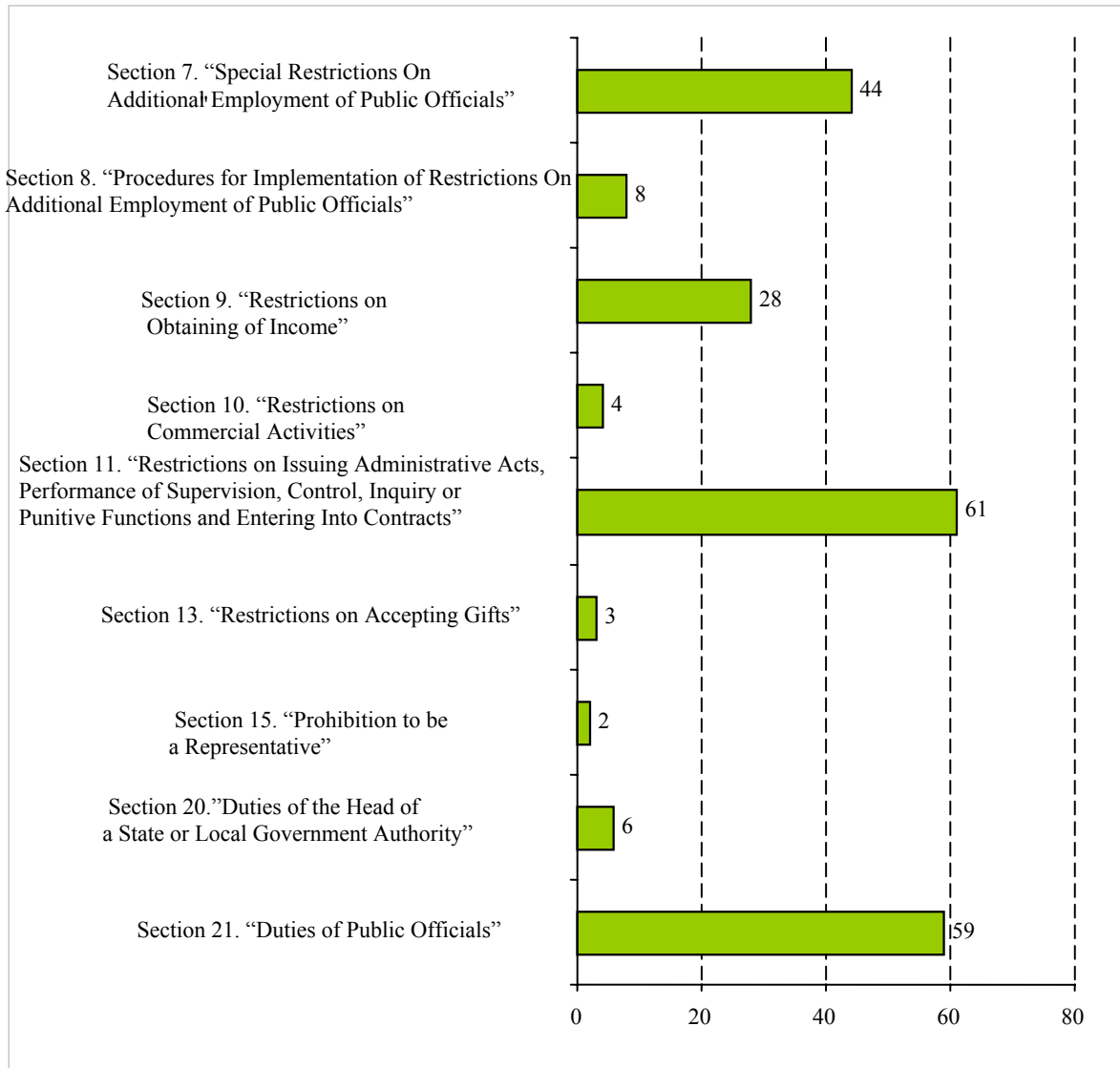
Within the framework of inquiries, it was established that more public officials have violated law when they had accepted their relatives for employment or had made such decisions, which their relatives had been personally or materially interested in. These persons also did not fulfill a duty established by law: to inform the superior public official or the collective institution about execution of public duties in a conflict of interest situation, with the request to delegate to other persons the decision-making regarding their relatives.

Cases when public officials have taken actions wherein they had their personal or material interest still continue to be detected. For example, they carry out functions of supervision or control at their own enterprises, decide or participate in taking decisions on compensation or other form of additional income for themselves.

Frequently the detected violation is infringement of restrictions for public officials on additional employment (44 cases) and non-observance of restrictions on obtaining of certain income (28 cases), which are specified in the Law “On Prevention of Conflict of Interest in Activities of Public Officials” (Sections 7 and 9). Public officials often does not take into consideration that the additional employment of a public official position requires a **written**

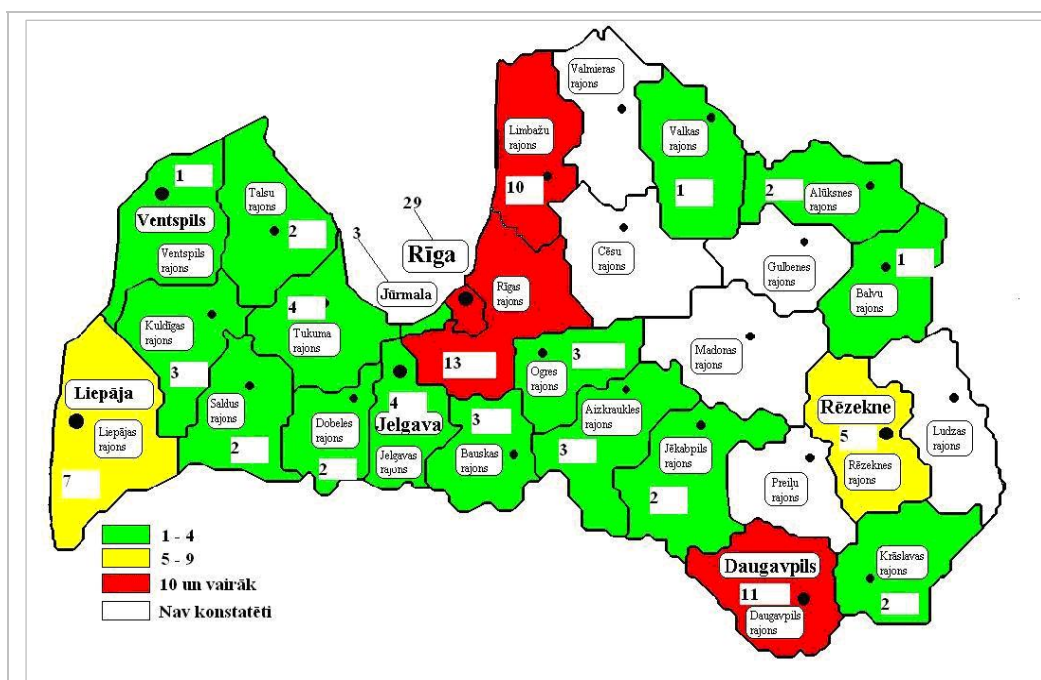
permission from the head or his deputy of corresponding public or local government authority or also from the superior collective institution, with an assessment stating that such additional employment will not cause a conflict of interest (see Chart 5).

Chart 5. Violations of the Law “On Prevention of Conflict of Interest in Activities of Public Officials” detected in 2006



In **16** cases on administrative violations the proceedings have been ceased in accordance with Administrative Violations Code of Latvia, Section 275, Paragraph 1, Subparagraph 2.

Chart 6. Geographical pattern of detected administrative violations in the field of prevention, 2006



1) 1-4; 2) 5-9; 3) 10 and more; 4) n/a

Civil Liability of Public Officials

In accordance with Section 30 of the Law “On Prevention of Conflict of Interest in Activities of Public Officials”, the civil liability is provided for violations of provisions of the Law. It means that income or material benefits gained in violating restrictions of this law or proportional growth of income or material benefits shall belong to the State, presuming that when violating restrictions established by the State and unlawfully obtaining income public official has done such harm to the public administration that is proportional to the value of illegally gained income, material benefits and increase in real estate or movable property.

In 2006, **86** public officials were asked to pay to the State damages caused in the amount of **Ls 89,107.70**. Within the reviewed period **73** public officials have voluntarily compensated the State for damages caused in the amount of **Ls 35,520.64**.

The Law “On Prevention of Conflict of Interest in Activities of Public Officials” in its Section 30, Paragraph 3, provides that if a public official does not voluntarily compensate the State for damages caused, the Bureau can ask to compensate the State for damages caused in accordance with procedure specified in the Civil Procedure Law. In 2006 in 13 cases the Bureau has demanded public officials to compensate for such damages.

Providing False Information in Declarations

For providing false data in declarations of public officials in **39** cases the information has been sent to the SRS in order the latter, within its competence, would call such public officials to administrative or criminal liability.

When checking incomes of public officials vs. their expenses, it has been established that in **68** cases the income of public officials and their relatives possibly did not correspond to their expenses, therefore the materials gathered during the inquiry on **68** persons were sent to the SRS in order to check the lawfulness of income of these persons in accordance with the Law “On Personal Income Tax”, Section 22. Within the reporting period, the SRS at the Bureau’s proposal has started personal income tax audits altogether for **47** persons and, based on the

findings of the accomplished audit, has imposed additional tax and fines on **13** persons in total amount of **Ls 373,976.05**. For **10** persons SRS has refused to initiate a personal income tax audit.

Failure to Act by Head of Public Institution

In accordance with the Law “On Prevention of Conflict of Interest in Activities of Public Officials”, Section 20, Paragraphs 1 and 6, the head of a State or a local government authority is liable within his competence to prevent that public officials working in this institution would be involved in a conflict of interest situation and in this situation would carry out his duties of public official, as well as the head of a State or a local government authority shall be liable to immediately inform the Bureau about such case. Six public officials have been called to administrative responsibility for violation of provisions of this Section.

In accordance with provisions of Paragraph 5 of the said Section, the head of a State or a local government authority or his/her authorized person shall be liable, in accordance with procedure specified by this law and the Cabinet of Ministers, to provide that the lists of public officials and respective amendments would be prepared and within 15 days delivered to the SRS in electronic form or in writing. Failure to observe requirements of this Section has been detected by the Bureau in 20 public institutions.

Co-operation with Other Institutions

Within the reporting period the Bureau has sent to the SRS information gathered within inquiries on **20** State or local government authorities asking the SRS to check whether non-inclusion of public officials working in these authorities into the lists of public officials is in compliance with requirements of the Law “On Prevention of Conflict of Interest in Activities of Public Officials” and to ensure that all public officials submit the declarations of public officials. At the Bureau’s request, the SRS has included **44** public officials into the lists of public officials.

When in actions of public officials such violations of legal acts were established, of which assessment was beyond the Bureau’s competence, in **195** cases the information was sent to competent institutions (State Audit Office, General Prosecutor’s Office, SRS, State Labour Inspectorate, Ministry of Regional Development and Local Governments Matters, Finance and Capital Market Commission, Security Police and other governmental institutions) in order they would carry out verification and deliver their opinion.

When verifying the compliance of activity of public officials with provisions of the Law “On Prevention of Conflict of Interest in Activities of Public Officials”, in **38** cases elements of a possible criminal offence were detected in activity of public officials and materials of these inquiries were forwarded to the Investigation Branch of the Bureau for assessment and further action.

Appeal of Decisions

37 of the administratively punished public officials have contested the decisions on calling them to administrative responsibility taken by the Division of Control of Public Officials Activities before the Director of the Bureau.

In 2006 the Director of the Bureau has made 33 decisions in relation to decisions taken by the Head of the Bureau Division of Control of Public Officials Activities in cases on administrative violations.

Further, **19** decisions of the Director of the Bureau have been appealed in the Administrative District Court.

- 1 decision of the Director of the Bureau appealed in the court was on lack of observance of restrictions established in Section 11, Paragraph 1, of the Law “On Prevention of Conflict of Interest in Activities of Public Officials” (violation of restrictions on accepting gifts);
- 10 decisions of the Director of the Bureau appealed in the court were on lack of observance of restrictions established in Section 13, Paragraph 1, of the Law “On Prevention of Conflict of Interest in Activities of Public Officials” (restrictions on issuing administrative acts, control, supervision, inquiry or punitive functions and entering into contracts);
- 8 decisions of the Director of the Bureau appealed in the court were on violation of special restriction on additional employment of public officials as specified in Section 7 of the Law “On Prevention of Conflict of Interest in Activities of Public Officials”, as well as in 7 administrative violation cases public officials have violated restrictions on obtaining income as established in Section 9, Paragraph 1 of the Law “On Prevention of Conflict of Interest in Activities of Public Officials”.

Implementation of the National Strategy and Programme

The Bureau coordinates cooperation of institutions implementing the National Corruption Prevention and Combating Programme for 2004 - 2008 (hereinafter – the National Programme) in order to ensure its proper implementation. The Bureau regularly monitors the work of other institutions in taking the measures foreseen. Due to the fact that the implementation of many measures of the National Programme did not have a strict deadline or due to financial reasons or complexity of the work to be done, some of the measures could not be realized within the planned time. The Bureau has submitted to the Cabinet of Ministers the draft amendments to the programme. On 2 May 2006 the amendments to the National Programme have been adopted.

After amendments the National Programme includes 114 measures, of which 30 are completed, 77 measures are being implemented or deadline for their completion yet has not come, and 7 measures are implemented partly.

Within the reporting period implementation of the following four measures of the National Programme was of a particular importance:

Draft laws have been prepared and submitted to the Cabinet of Ministers when implementing the measure **on improvement of mechanism for control of assets and income of natural persons with the aim to trace and find evidence on illegally obtained assets** (the National Programme, Measure 33).

In order to improve the system of income control of natural persons, the inter-institutional working group, which includes the Ministry of Finance, the State Revenues Service, the Ministry of Justice, General Prosecutor’s Office and the Bureau, has developed a draft law **“Declaration of Assets of Natural Persons”** and amendments to other relevant laws: “On Personal Income Tax”, “On Taxes and Fees”, “On Prevention of Conflict of Interest in Activities of Public Officials”, as well as the Law on Credit Institutions. At their session on 20 June the Cabinet of Ministers decided that the Ministries should submit their opinions on the draft law within a week.

The working group suggested that the control of personal income is ensured on the basis of information included in declarations of income in the income taxable year and of property of

natural persons as well as basing on information at the disposal of the SRS received by the latter in the form of payrolls and other notifications.

For declaration of their property, persons will have to submit an initial declaration of status of their assets, or the so-called “starting declaration”. The declaration will have to be submitted to a territorial division of the SRS until 1 April 2008 and reflect the property status as at the end of previous year. This should be done by all persons whose permanent residence place is the Republic of Latvia, as well as by foreigners who own a property in Latvia. The responsibility to submit the declaration of underage persons is to their parents or a person who in accordance with legal acts have the rights of their parents (tutors) while instead of persons in guardianship their declaration should be fulfilled by their guardians.

The above described project of the working group aims at achieving the following goals:

- a benchmark will be created for compliance assessment of savings, income and expenses of natural persons;
- possibilities will be provided for overall control of compliance of savings, income and expenses of natural persons and, correspondingly, over tax payment and legality of income;
- possibility will be prevented to conceal income by using identification data of other person, i.e. “write off” money and property on other natural persons.

In the reporting period an active work continued on development of the draft concept “**Legal Regulation of Lobbying in Latvia**” (the National Programme, Measure 3). The working group involved the Bureau, the Parliament, State Chancellery, the Ministry of Justice, Centre for Public Policy “Providus”, JSC “Mediju tilts”. At sessions of the working group consultations were held with foreign experts, colleagues from Lithuania, the Parliament, representatives of local governments and Ministries on the one hand and lobbyists and NGO representatives on the other hand; a discussion was organized with criminal law experts on distinction of legal lobbying from trading in influence, which is prohibited by the Criminal Law.

The working group has also consulted the expert *Derek Purdy* who was invited within the framework of *PHARE* project of the European Union (hereinafter – the EU). Since there is a variety of institutions represented in the working group, an understanding was not achieved on a single, most acceptable solution for Latvia. The working group has conceptually agreed on what activities would be considered in Latvia as lobbyism and what persons would be considered as lobbyists. It is also assessed what would be the most optimal solution for regulation of legal lobbying, whether a dedicated legal act would be necessary or it would be sufficient to incorporate an amendment into the Law “On Examination Procedure of Applications, Complaints and Proposals in Public and Local Government Institutions”. Members of the working group acknowledged that in order to make lobbying more open, Latvia would have to make public the information on who are the lobbyists in State and local government authorities and what are the goals of their activity.

The Bureau has prepared amendments to more draft laws, implementing Measure 53 of the National Programme: “**Development of System for Protection and Support of Whistleblowers**”, since it was acknowledged that the existing regulation did not stimulate citizens to inform about corruptive offences they are aware of to the competent officials and institutions.

Working group formed in the Bureau is assessing possibilities for solving the problem on checking **high-rank public officials prior to their appointment to office in state administration** recommended by the Council of Europe GRECO (National Programme, Measure 75).

Informative report “Implementation of National Corruption Prevention and Combating Programme for 2004 – 2008” has been prepared and submitted to the Cabinet of Ministers. This informative report includes summarized information about 70 measures of the National Programme. Of those measures mentioned in the informative report, 44 are being implemented permanently. 9 measures with definite deadline are accomplished, 14 measures are implemented partly or their implementation is commenced, 3 measures are not implemented through limited time or financial resources.

One of focal measures of the National Programme, which had to be implemented in the reporting period, involves **development of procedure for the use of assets of public and local government**. The Law “On Prevention of Squandering of Funds and Assets of the State and Local Governments” regulates general principles but does not determine a specific procedure for the actual implementation; therefore all public and local government institutions should work out their internal regulation that would establish a procedure under which public and local government institutions shall dispose of their assets. This measure of the National Programme is considered partly implemented. Most of institutions have developed a procedure for use of their communication and transport means; however, it does not cover the use of all assets at disposal of an institution.

In the field of analysis of corruptive offences:

- report “Criminal offences committed in State Authority Service and persons convicted in 2005” has been prepared;
- report “Administrative violations in the field of corruption prevention in 2005” has been prepared.

In accordance with Measure 85 of the National Programme for 2004 - 2008, the Bureau in 2006 has received 88 reports on disciplinary violations related to corruption in 10 ministries and institutions subordinated to them and public enterprises and capital companies (entrepreneurial companies) under their supervision and where the ministry is the holder of state capital shares.

Within the reporting period the following number of disciplinary cases was initiated against 34 public officials in the following ministries or subordinated state administration institutions:

Ministry of Finance	- 8
Ministry of the Interior	- 20
Ministry of Transport and Communications	- 3
Ministry of Health	- 1
Ministry of Agriculture	- 2

Mainly disciplinary cases have been initiated in relation to carrying out duties in conflict of interest situations (11 cases) and bribe-taking – 8 cases, as well as for the use of official position in bad faith – 7 cases.

In order to prevent possible corruptive offences and identify weaknesses in legal acts, **in the area of analysis of legal acts:**

- information has been collected and summarized from different institutions about problems associated with activities in Latvia of enterprises registered in offshore areas, low-tax and tax-free countries;
- proposals have been prepared to improve the Construction Law.

Legal Drafting

In order to strengthen the basis for corruption prevention and combating, in second half of 2006 the Bureau has developed and forwarded for approval to the Cabinet of Ministers the following draft legal acts:

- On 4 April 2006 the Cabinet of Ministers has considered and forwarded for further examination in the Parliament a draft law prepared by the Bureau “**Electors Associations Financing Law**”. There are few rules for financing of associations of electors in the existing legislation. For example, regulation gives not a detailed procedure under which associations of electors should report on the received and spent financial resources; the competence of responsible public institutions is not defined in relation to control over financial activity of associations of electors.

Such situation at elections to local governments creates inequality between political parties and associations of electors. To eliminate these problems, the draft law determines a procedure for financing of associations of electors and their reporting about received and spent financing with consideration of specificity in activities of associations of electors, that is, a situation when these associations are only formed for local government elections and in small local governments and they are not legal persons.

The draft law defines financing restrictions for associations of electors (limits on accepting gifts (donations), prohibition of anonymous gifts (donations), prohibition of intermediaries, etc.), similar to those for political parties. The draft law provides for more openness in accounting of received and spent financial resources, imposing on associations of electors the responsibility to submit statements of incomes and expenses related to election campaigns. The draft law provides also sets out conditions of liability for violations of law: administrative responsibility and recovery of illegally received donations. The draft law establishes that the control and supervision over fulfillment of this law will be carried out by the Bureau.

Taking into consideration that the next local government elections, for which associations of electors would be formed, will only be held in 2009, the law is projected to come into effect from 1 January 2008, thus providing for persons to whom provisions of the law relate a possibility of being timely informed about provisions envisaged in the law.

- On 6 February 2006 draft law “**Amendments to Law on Financing of Political Organizations (Parties)**” prepared by the Bureau has been submitted to the President of Ministers (Prime Minister) for further forwarding to the Cabinet of Ministers. With these amendments it is foreseen to set out the responsibility of political parties for exceeding the spending limits of pre-election campaigns. This amendment is in line with the goal of the Law on Financing of Political Organizations (Parties): it provides to enter into the state budget those financial resources which have been used contrary to provisions of the law as well as other financial resources that in accordance with provisions of this law are considered illegal.
- Submitted for consideration in the Cabinet of Ministers: draft law “**Amendment to Law on Corruption Preventing and Combating Bureau**” providing to define the Bureau’s competence in control over financial activity of associations of electors.
- Submitted for consideration in the Cabinet of Ministers: draft regulations of the Cabinet of Ministers “**Procedure for Assignment, Spending and Supervision of Funds provided under the Cabinet of Ministers Basic Budget Programme**”

“Support to Investigatory Operations””, providing that the assignment of Ls 100,000 for realization of Cabinet of Ministers Budget-2006 programme “Support to Investigatory Operations” shall be spent for provision of investigatory operations of law enforcement institutions in order to detect corruptive offences. Establishment of such special account will allow improving the system of investigatory operations for combating corruptive and economic crimes.

- Submitted for consideration in the Cabinet of Ministers: draft regulations “Amendment to the Cabinet of Ministers Regulations No. 334 of 30 July 2002 “Regulations on salary, social guarantees and compensation for expenses associated with training and professional development of officials and employees of the Corruption Preventing and Combating Bureau””. The Regulations were adopted and came into force from 1 January 2007.
- Work continues on further development of the draft law “**Law on Lease of State and Local Government Property**”. On 4 December 2006 it was considered at the session of the Cabinet of Ministers where it was decided not to support the submitted draft and the Bureau was asked to repeatedly review the wording of the draft law with the Ministry of Justice, the Ministry of Finance, the Ministry of Transport and Communications and the Latvian Association of Local and Regional Governments. The goal of the draft law “On Lease of State and Local Government Property” is to introduce a common and comprehensive regulation for leasing public property. It provides to establish a procedure for lease of state and local government property: methods of granting the leasing right, procedure of decision-making on lease of property, making public information about property to be leased out and possibilities to take it on lease, major rules of granting the right to take on lease the state or local government property at the auction or at the tender, definition of persons responsible for the lease and restrictions for officials of the lease commission.
- On 23 November 2006 the meeting of State Secretaries reviewed the draft “**Conflict of Interest Prevention Law**” prepared by the Bureau and the related draft law “**Amendments to Administrative Violations Code of Latvia**”. It was decided at the meeting to postpone further examination of the draft laws. Given that there were a number of unsolved issues, it was proposed to take into consideration the proposal of the Ministry of Justice and the State Chancellery to prepare a concept document before proceeding with the draft law and keep the State Chancellery informed about further developments.

Information and Education of the Society

In 2006 the Bureau has considerably increased the volume of educational activities and given that new educative tools have been developed the quality of lectures has also improved. In seminars organized in 2006 on prevention of conflict of interest and professional ethics of public officials participated almost twice as many interested people as in previous year reaching about **1,060** persons. In total, employees of the Bureau have participated in **32** seminars, as well as training and consultation events.

Provision of Information to Mass Media

Due to changes in regulation of criminal procedure the number of press releases related to criminal offences detected in state authorities has slightly reduced. At present information is only made public about certain important decisions made in the course of criminal

proceedings, for example, decision about arrest of a person or in cases when investigation at the Bureau is finished and it is decided to forward the proceedings to the prosecution office to start criminal prosecution.

Within the reporting period **69** press releases were disseminated to mass media, **2** press conferences took place and were held **4** public discussions and **1** informative seminar. Replies were given to **26** questions sent to the Bureau's homepage in the Internet. Representatives of the Bureau regularly gave interviews and comments to mass media and information agencies as well as participated in radio and television broadcasts. In 2006 the Director of the Bureau, his Deputies and other representatives altogether 35 times participated in radio and television broadcasts or gave interviews on various subjects associated with anticorruption policy implemented in Latvia. The homepage content is also regularly updated.

24 April 2006 a **press conference** was held where representatives of mass media were informed about **violations of regulations for financing of parties detected by the Bureau during local government election campaign in 2005 and measures taken for prevention of violations**. The review of the detected violations of financing of parties during local government election campaign in 2005 is available on the Bureau homepage at www.knab.gov.lv in section *Detected Violations* (only in Latvian).

13 September 2006 the Bureau held a press conference where representatives of mass media were acquainted with the results of the opinion poll carried out among public officials "**Knowledge and understanding of public officials about problems of corruption prevention and combating**". This poll was first of its kind. Commissioned by the Bureau, it was carried out in 2006 by the Institute of Sociological Studies. It reflected opinions of different groups of public officials about corruption phenomenon in Latvia, corruption prevention policy, internal anti-corruption measures in place in public institutions, readiness to inform about corruptive violations as well as personal experience of public officials with various forms of corruption. More about the study results please find in the section of our website *Public Opinion Study* (only in Latvian).



Director of Bureau Aleksejs Loskutovs left, researchers of Institute of Sociological Studies Sigita Sniķere and Ilze Koroleva

Photo: AFI

Organisation and Participation in Public Discussions, Seminars and Conferences

One of the Bureau's functions in the field of corruption prevention is coordination of cooperation of institutions involved in the National Programme. In order to assess jointly with other institutions progress achieved in implementation of the National Programme and to discuss further directions of activity, 10 March 2006 the Bureau held a **public discussion for**

representatives of institutions involved in implementation of measures of the National Programme.

Within the framework of the discussion, views on corruption prevention problem were presented by: Director of State Chancellery Gunta Veismane, Chairman of Supreme Court Andris Guļāns, Deputy Director of SRS Corruption Prevention Department Skaidrīte Jaungaile-Gaile, Chairman of Latvian Association of Local and Regional Governments Andris Jaunsleinis, Ministry of Justice Deputy State Secretary for Judicial Matters Kaspars Berķis, Director of Court Administration Ilona Beierbaha, Head of Illegally Obtained Assets Legalization Prevention Service Viesturs Burkāns, representative of State Police Internal Security Bureau Aigars Treijers. Participants of the discussion gave their professional assessment of improvement of corruption prevention environment in own sphere.



From left: Director of Court Administration Ilona Beierbaha, Head of Illegally Obtained Assets Legalization Prevention Service Viesturs Burkāns, Director of Bureau Aleksejs Loskutovs, Head of Bureau Division of Public Relations and International Cooperation Diāna Kurpniece and Acting Head of Division of Corruption Analysis and Countermeasures Methodology Sandra Šimkus.

Photo: KNAB

Although participants to the discussion shared the view that reduction of corruption risks in public institutions was task of each individual institution, representatives of certain spheres stressed that introduction of anti-corruption measures was not a priority in activity of these institutions and various obstacles such as important staff changes and salaries that are inadequate compared to the scope of duties of public officials still create a corruption-friendly environment.

15 May 2006 the Bureau organized round-table discussion "**Results of monitoring of local government election campaign. Conclusions towards ensuring lawfulness of upcoming parliamentary election campaign**". Taking into consideration violations in financing of election campaign, which have been discovered during verification of declarations of political parties at 2005 local government elections, among them exceeding pre-election spending limits, the Bureau invited to the discussion representatives of political parties and mass media, NGOs and independent researchers with the purpose to explain the course and results of check-ups made by the Bureau, summarise main requirements of the law and promote inadmissibility of similar violations, as well as jointly discuss about necessary amendments to legislative acts.

30 June 2006 **informative seminar "Ensuring legality in financing of political parties before elections to the 9th Saeima [the Parliament]"** was held by the Bureau for representatives of political parties and their associations. During the seminar, information was provided on notifications and declarations to be submitted, deadlines for their submission,

accounting of revenues and expenses of parties during the election campaign as well as on allowed amounts of expenses during the 9th Saeima election campaign.

2 – 3 October 2006 a presentation of educative material “**Collection of public administration ethics materials**” in CD format in the State Administration School took place. The presentation was participated by Director of Bureau Aleksejs Loskutovs, Director of State Administration School Uģis Rusmanis, Director of Film Studio “Rija” Vilnis Kalnaellis, representatives of Organization for Economic Cooperation and Development (OECD) *SIGMA* and other institutions. Active use of the material has been started for further educative events, as well as presentation of teaching method included in this collection to potential lecturers who could work in the future with the prepared material.

Within the reporting period the Bureau has organized several presentations of reports by EU *PHARE* project experts and public discussions. More about reports of experts please read in section *Results of Projects of Financial Aid from Foreign and International Institutions and Application of Funds*.

Educational Events

Celebrating the United Nations Organization (hereinafter referred to as UN) International Anti-corruption Day, in September 2006 the Bureau announced a children and youth competition of posters and cartoons “**Easy money, heavy end...**”. Children and young people of two age groups were invited to participate in the competition: 12 to 16 and 17 to 21.



Competition prize winners with the Director of the Bureau and his deputy, artist Jāzeps Pīgoznis and the Head of Parliamentary Commission of Defense, Interior and Corruption Prevention Juris Dalbiņš

Photo: AFI

The submitted works were assessed in two categories: “best cartoon” and “best poster”. At award ceremony the Head of Parliamentary Commission of Defense, Interior and Corruption Prevention Juris Dalbiņš presented the prizes of own sympathies. Young participants were presented also gratifying papers from Prime Minister Aigars Kalvītis as well as a special prize of the Bureau’s staff sympathies.



Agnese Tauriņa, Ikšķiles High School, 1st prize winner in category „Best Poster” in age group 12 to 16, with artist Jāzeps Pīgoznis

Photo: AFI

The competition was held with the purpose to give young people a possibility to express by creative means their critical attitude towards corruption and such forms as conflict of interest, bribery, use of official position in bad faith. At the same time, the goal of the competition was to appeal to young people not only perceive social and economic damages caused by corruption, but also draw attention to its moral consequences: shame and dishonour not only on the accused in corruptive offences, but also on their family members.



Jūlija Podskočija, Preiļi Music and Art School, 1st prize winner in category „Best Cartoon” in age group 12 to 16

Photo: AFI

In 2006 representatives of the Bureau participated in **32** meetings, informative seminars in State and local government authorities, explaining the requirements of the Law “On Prevention of Conflict of Interest in Activities of Public Officials”, the necessity to implement professional ethics of public officials as an opposite to corruption, and advising the authorities to strengthen the internal anticorruption measures. Total audience of these events was nearly **1,060** public officials.

When explaining the requirements of the Law “On Prevention of Conflict of Interest in Activities of Public Officials”, we often had to conclude that there were still many officials

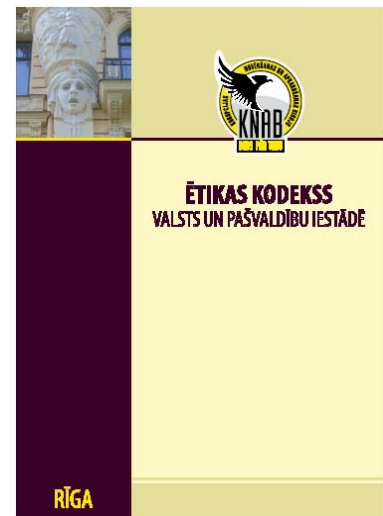
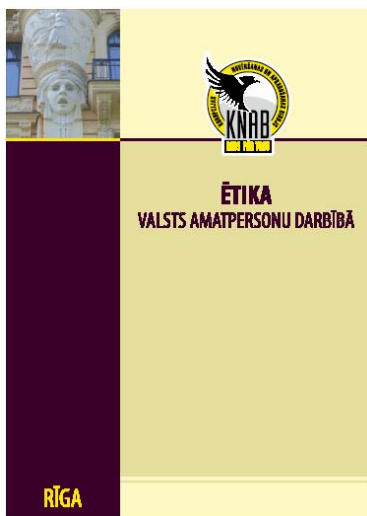
who had not acquainted themselves with requirements of the Law and possibly they violate the specified restrictions and prohibitions through ignorance of the Law. Since the country has not a unified procedure for education of public administration personnel who then become public officials, which procedure would provide a common basic knowledge about conflict of interest prevention and professional ethics of public officials, then such education still is going in an unsystematic manner and at own initiative of institutions or staff members.

Within the framework of educative events, public relations specialists of state administration and communications specialists of Vidzeme Region local governments were informed how to prevent the use of administrative resources for election campaigns of political parties.

Representatives of the Bureau conducted seminars on prevention of conflict of interest and professional ethics of public officials for the following groups: heads of Ogres District local government authorities, representatives of local governments at annual meeting of Latvian Association of Local and Regional Governments, personnel of the State Border Guard, officials of the Ministry of Agriculture, heads of Zemgale Region state and local government authorities, officials of National Diagnostics Centre of Food and Veterinary Service, personnel of National Defence Academy of Latvia, soldiers of National Armed Forces, heads of authorities of Latgale Region and Vidzeme Region in Valmiera, heads of SRS Latgale Regional Office , heads of educational establishments in Riga City, Ogre, Bauska, Cēsis, Dobele and Jelgava districts, directors of vocational education establishments, as well as personnel of the State Probation Service of Latvia, Road Traffic Safety Directorate and lecturers of Police College.

Informative and Educative Tools Prepared by the Bureau

In 2006 two booklets have been published: “Ethics in Activities of Public Officials” and “Code of Ethics in State and Local Public Institutions”. The purpose of these brochures is to assist public officials in understanding the importance of ethics in order to ensure increasing public trust in state and local government authorities and the importance to respect requirements of ethics in practice in their everyday work. Since conflict of interest situations may occur often enough in activity of public officials, they should be able to identify such situations and know how to avoid them; therefore the booklets provide guidance, what means personal interest and what are the ethical norms recommended by the Council of Europe Multidisciplinary Group on Corruption.



Cover pictures of booklets “Ethics in Activities of Public Officials” and “Code of Ethics in a State and Local Government Authority”

Brochure “Code of Ethics in State and Local Public Institutions” gives practical information for those who wish to develop a code of ethics in their own institution or professional area. To detail what means the professional ethics of a public official and how to achieve implantation of ethic principles and norms into activity of state administration authorities, the booklets consider the following questions:

- What is ethics and what is professional ethics of public officials?
- What are requirements of legal acts towards respect of ethics in public administration?
- Why it is important to ensure public officials act in an ethical way?
- What is a code of ethics and how to develop it?
- How to apply practically the principles of ethics in the work of a public official?

The Bureau, in collaboration with OECD and European Union *SIGMA* programme, the State Administration School of Latvia and the SRS, with financial support from the Embassy of the United Kingdom, has prepared a set of educative CDs “*Collection of Public Administration Ethics Materials*”. It is an interactive tool containing educative and informative materials in a modern CD format. The Collection consists of three individual CDs: “Values of Professional Ethics”, “Prevention of Conflict of Interest”, “Rights, Duties and Liabilities”. The Collection includes legal acts, explanatory texts on various problems of corruption or conflict of interest and ethics as their opposite. Each part of the Collection includes a video that shows a situation in a visually exciting way representing the most typical problems in activity of public officials in this relation. This educative tool has a methodologically new format that can be used both for individual studies and teaching at seminars.



Cover design of CDs “Collection of Public Administration Ethics Materials”

The Collection is mainly targeting public officials: top and middle level management and employees of State and local government authorities both in groups with a lecturer and individually. The Collection may be used also in training courses and programmes for representatives of civil society and students. Depending on particular study purposes, it can be used in mastering of subjects such as values of public administration sector, proper management, openness in decision-making, prevention of conflict of interest and corruption, risks of corruption in public procurements, responsible decision-making, and personal management.

In autumn 2006 a competition was announced with the aim to prepare an informative anticorruption campaign, as a result of which most appropriate candidate was chosen of 3 proposals – “McCannErickson Rīga” L.L.C. The campaign took place with the slogan „**Corruption is prostitution of the entrusted power**”. The produced video spot is planned to be released on TV in February 2007.

Public Consultative Council

In 2006 the Public Consultative Council (hereinafter – the Council) held **8** sessions. During this period the Council paid a special attention to draft laws prepared by the Bureau (draft law „On Lease of State and Local Government Property”, draft law „On Prevention of Conflict of Interest”) as well as to issues associated with adoption of new Law on Public Procurement. This issue became topical in the Council’s agenda after the Bureau has repeatedly pointed to those norms included in the law which create an increased risk of administrative corruption.

After the Law on Public Procurement was adopted by the Parliament, the Council invited to their session Inguna Sudraba, the Auditor General, and Andrejs Tiknuss, the Director of the Procurement Supervision Bureau, to discuss possibilities to improve procurement control and supervision that are not regulated by this law, as well as to address the implementation of the Law “On Prevention of Squandering of the Financial Resources and Property of the State and Local Governments”. After consideration of these issues the Council concluded that certain problems existed with performance of financial audit and estimate of harm done to the State, and recommended looking for all possibilities to create within the Bureau and for its own needs a separate structural unit for provision of these functions (financial auditing).

Since according to regulations of the Council the term of office of the Council Chairman is one year, at June session members of the Council agreed to entrust further management of the Council to Valts Kalniņš, representative of the Centre for Public Policy “Providus”. In the second half of 2006 there were changes in membership of the Council and its authorized representatives. Instead of the Latvian Union of Journalists, the Council incorporated the Latvian Association of Press Publishers represented by Lilita Seimuškāne, Vice-president of JSC “Preses Nams” and Deputy Chairman of the Board of “Mediju Nams” L.L.C. The Latvian Association of Builders will be further represented by its Director Viktors Puriņš while the Foreign Investors' Council in Latvia will be represented by its Director Executive Girts Greiškals.

Another vital issue considered by the Council was the 9th Saeima election campaign. Members of the Council were informed about the results achieved until August 2006 within the project “Plainly about finances of 9th Saeima election campaign” developed by Lolita Čigāne, researcher of Centre for Public Policy “Providus”, as well as invited to the session Aigars Freimanis, Director of Market and Social Research Centre “Latvijas Fakti” and Arnis Kaktiņš, Director of Marketing and Public Opinion Research Centre SKDS in order to discuss the impact of election campaign on ratings of political parties and choice of electors.

To talk over possibilities for legal regulation of lobbying in Latvia, the Council members were among those first who were acquainted with a draft concept prepared by working group of the Bureau.

Public Opinion Research

In early 2006 the Bureau, in accordance with its establishing law, which sets out that its function is to carry out public opinion research and analysis, commissioned an opinion poll “Knowledge and understanding of public officials about problems of corruption prevention and combating”. The purpose of the poll was to determine the level of understanding of officials about anticorruption issues. In order to determine their knowledge about prevention of conflict of interest and corruption, a number of questions were developed in form of a test. The questionnaire included altogether 13 questions of different complexity, which had to be answered by choosing one among the answers. Of the responding officials no one could answer correctly to all 13 questions, most often the respondents gave right answers to five, six or seven questions.

This opinion poll showed that the best knowledge of regulation in the sphere of corruption is demonstrated by officers of judicial system and high-ranking officials. Officials in Riga as

well as respondents with higher education level possess more comprehensive knowledge about corruption issues. For example, officials were put a question: “*Whether a member of public procurement commission is allowed to participate in assessment of bids of the claimants if one of the bidders is an enterprise belonging to his brother?*” to which 79% right answers were given (indeed, “No”).

Though the question is simple enough and reflects a conflict of interest situation prohibited by the law, unfortunately more than 20% respondents could not give the correct answer.

Evaluation of how various institutions contribute to corruption prevention in Latvia demonstrated that most respondents expressed their trust in the Bureau: 73% think that the Bureau contributes to the prevention of corruption, of which 52% think that sooner contributes while 21% consider that contributes very strongly. Second most often mentioned institutions contributing to prevention of corruption were mass media: 44% think that media sooner stimulate prevention of corruption and 21% consider that stimulate very much.

Officials equally assess the activity of the SRS and prosecution office in the sphere of corruption prevention: more than half (54%) respondents told that both institutions either contributed much or sooner contributed to the prevention of corruption.

Likewise, even evaluations are given to activities of the court and the State Police in the sphere of corruption prevention: 41% and 44%, respectively, told that activities of these institutions neither furthered nor hampered the prevention of corruption in the country.

Comparatively many officials lack a definite opinion on activities of NGO in the sphere of corruption prevention: nearly a half (45%) of respondent officials thinks that NGOs neither further nor hamper the prevention of corruption.

Most critical evaluations are given to activities of politicians in the sphere of corruption prevention: more than half (52%) of officials noted that politicians hindered or sooner hindered the prevention of corruption in the country while almost one third (30%) think that politicians have no influence on prevention of corruption.

Chart 7. Contribution of various institutions to prevention of corruption
(% of respondents)



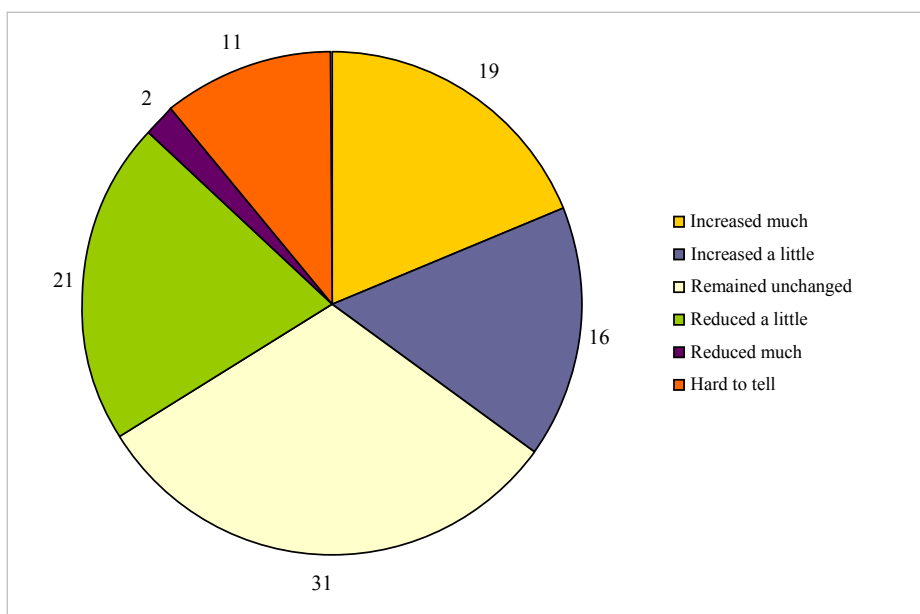
Statistically there is an important difference between assessment of politicians' activities in the sphere of corruption prevention and the category of respondents to which the respondent belongs. High-ranking State and local government officials, including deputies of local governments, more often than others told that activities of politicians contributed to prevent corruption in the country. Activities of politicians are most sceptically assessed by representatives of judicial system and heads of State and local government authorities.

Likewise, statistically important differences exist in evaluation of activities of judicial and NGO institutions depending on the region where a respondent is acting: a half or more of respondents in Vidzeme (53%) and Latgale (50%) think that the court furthers or sooner furthers prevention of corruption in Latvia while in other regions the ratio of respondents sharing such opinion varies between 34% and 44%. It should be noted that 23% of officials in Riga told that in their opinion the courts hindered or sooner hindered the prevention of corruption in the country, which compared to other regions is nearly twice bigger percentage.

When evaluating the role of NGO in corruption prevention in Latvia, the respondent officials in Riga Region more often than elsewhere told that NGO sector furthered very strongly or sooner furthered prevention of corruption in the country (56%). For comparison: in Kurzeme and Vidzeme regions such opinion is expressed by 43% officials while in Latgale and Zemgale 38% and 35%, respectively. It should be noted that the respondent officials in Kurzeme Region nearly twice more often have told that NGO most likely hindered or hindered to a great extent the prevention of corruption in the country: such answer was given by 19% of the Region officials.

When assessing changes that took place within last four years in problems associated with high-ranking corruption, almost one third of officials (31%) told the situation remained unchanged while 35% think that there are more problems now: 19% told that the problems had increased very much and 16% told that the growth in the problems was small. It should be noted that one fifth of the respondents (21%) think that high-ranking corruption has reduced during recent years.

Chart 8. Trends in development of high-ranking corruption within last four years: evaluation by officials (% of respondents)



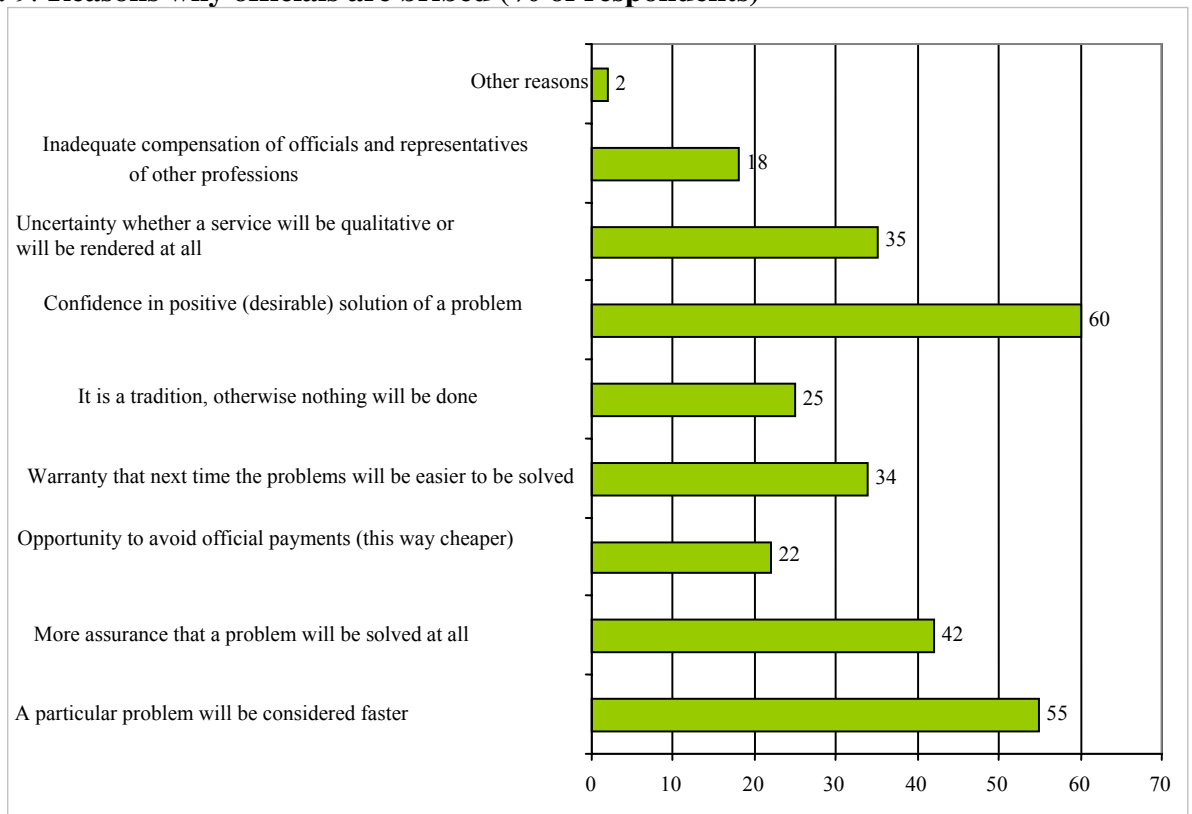
How do you assess the trends in corruption? How do you think the problems related to high-ranking corruption have changed within the last four years?

There are important differences between how trends in corruption are assessed by different categories of officials. Heads of State and local government authorities (43%), soldiers and military officers of National Armed Forces as well as deputies of local governments are among those who more often than others mentioned that corruption in public sector had increased during last four years, at the same time high-ranking public officials gave such evaluation much rarer: 19 % respondents of this group think that corruption has increased a little or much. At the same time, each category group of officials has nearly the same specific weight of respondents who think that corruption in the country has reduced much or a little. More sceptic views on reduction of corruption were expressed by heads of State and local government authorities and officials of civil service.

Various opinions exist why people offer or give bribes to officials of State or local government authorities. 60% of respondent officials think that bribes are given since there is a confidence that thus a problem will have a desirable solution while 55% of officials told that in this way a problem could be considered faster. Other more often mentioned reasons for giving bribes were a warranty that a problem will be solved at all (42%) and a feeling of uncertainty whether a service will be rendered at proper quality or will be rendered at all (35%). 34% of officials think that bribe-giving could be a warranty that next time settlement of problems will be easier.

It should be noted that in all category groups of officials, except soldiers and military officers of National Armed Forces, as the most essential reason for bribery was mentioned an opinion widely spread in the society that this is the way to achieve desirable solution of a problem and faster consideration of a particular problem.

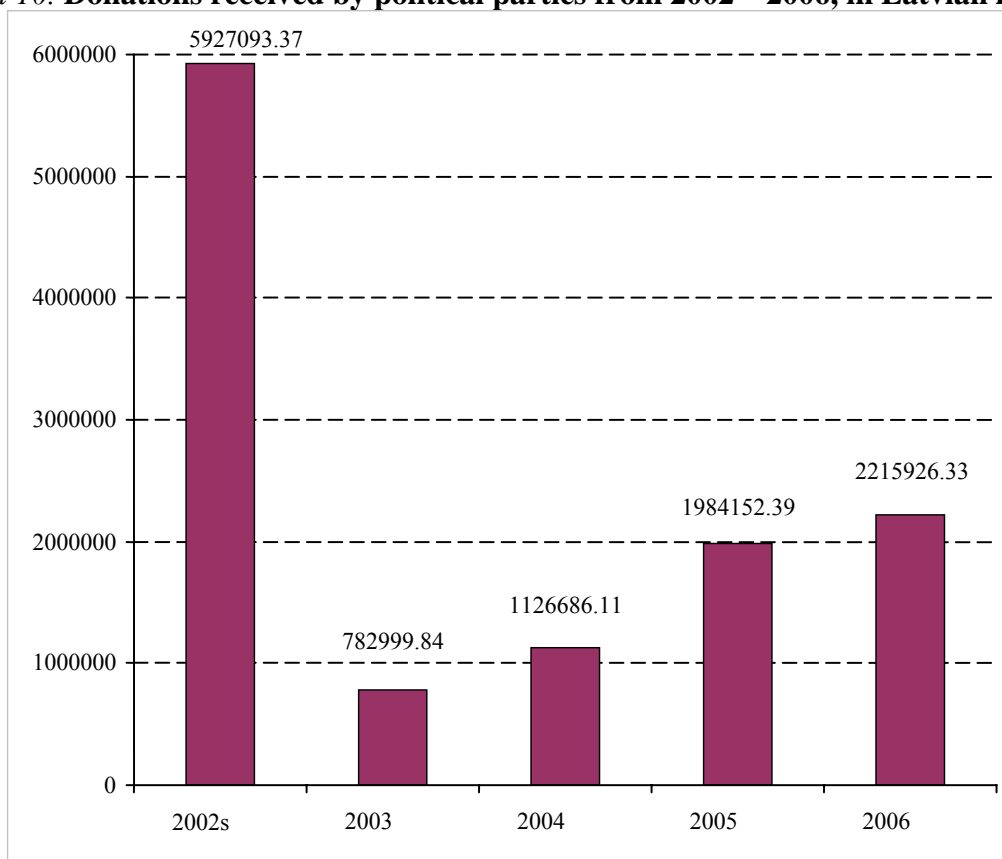
Chart 9. Reasons why officials are bribed (% of respondents)



Results in Monitoring of Financing of Political Parties and their Associations

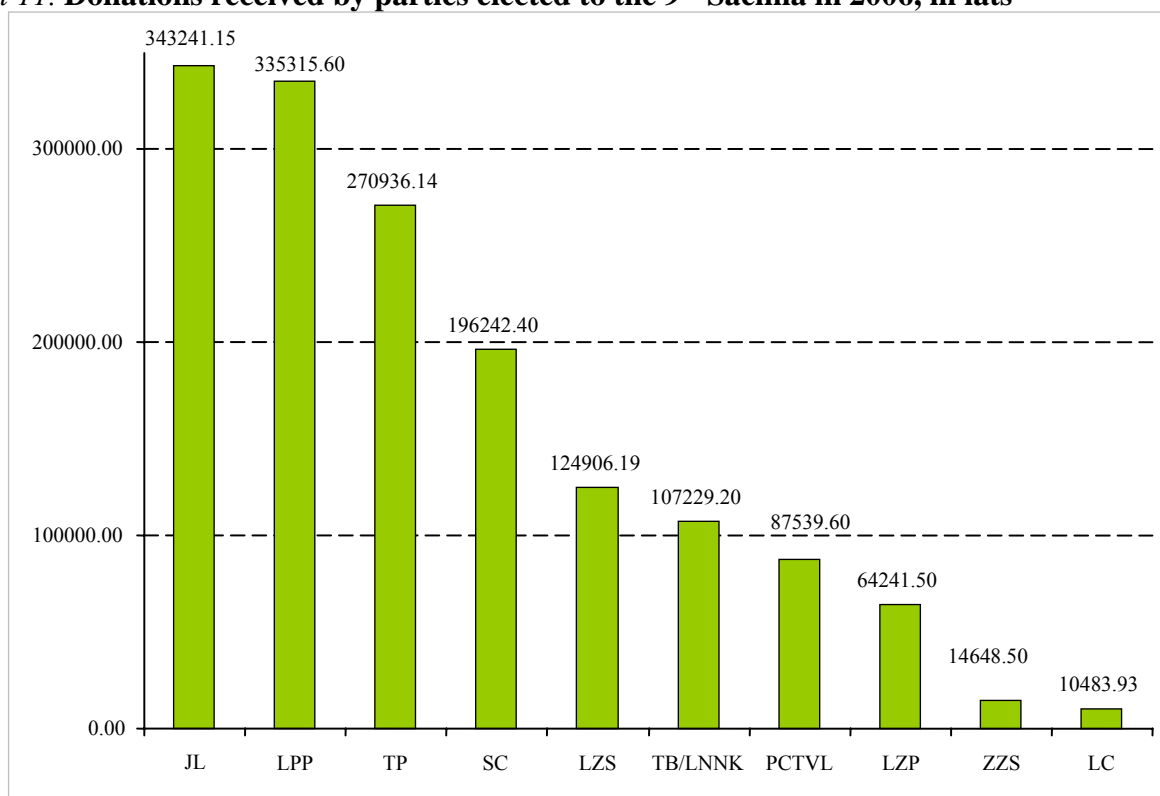
2006 was the year of elections to the 9th Saeima (Parliament elections), hence political parties attracted considerable amount of donations and conducted active election campaigns. The Bureau was in charge to perform pre-election monitoring, control of financing of political activities for its compliance with requirements of standard acts and make public information on all donations received. Since the number of individual donations within this period was bigger than in previous year (see Chart 10), the data input and maintenance of database of financing of political parties also required more important resources. Growing volume of donations has considerably increased the Bureau's work load also in control over financing of political parties. Within the reporting period, verification has been made of **668** lists submitted by political parties about gifts (donations) received, which is by 24 more than in previous year.

Chart 10. Donations received by political parties from 2002 – 2006, in Latvian lats



To ensure transparency of financial activity of political parties, its lawfulness and compliance with the system of parliamentary democracy, in accordance with the Law On Financing of Political Organizations (parties) the parties submit and the Bureau within ten days publishes on the Bureau's homepage <http://www.knab.gov.lv> information on gifts (donations) received by the parties. The type, amount, date of receipt of donation, as well as of natural person who has made the donation are included.

Chart 11. Donations received by parties elected to the 9th Saeima in 2006, in lats



Legend:

- JL – Political Party “Jaunais Laiks [New Era]”*
- LPP – Latvian First Party*
- TP – People’s Party*
- SC – Association of Political Organizations “Centre of Union”*
- LZS – Centrist Party “Latvian Farmers Union”*
- TB/LNNK – Association “For Fatherland and Freedom/LNNK”*
- PCTVL – Association of Political Parties “For Human Rights in a United Latvia”*
- LZP – Latvian Green Party*
- ZZS – Association of Political Parties “Greens and Farmers Union”*
- LC – Political Party “Latvia’s Way”*

In 2006 the most important financing has been received by political party “Jaunais laiks [New Era]” – Ls 343,241.15, and the least important – by the party “Latvia's Way” in the amount of Ls 10,483.93. Meanwhile, the electoral association of Latvian First Party and “Latvia's Way” has received no donations at all.

When assessing the average amount per donation received, it should be concluded that political party “Jaunais laiks” has a number of small donations varying from 5 to 50 lats while the maximum allowed donation in the amount of Ls 10,000 was most often granted to Latvian First Party – 18 times, “Jaunais laiks” – 9 times, association “For Fatherland and Freedom/LNNK” – 3 and People’s Party, Centre of Union, People’s Concord Party each received one such donation.

Financial and economic activity of political parties is controlled by the Bureau in four stages: verification of submitted declarations in accordance with requirements of the Law on Financing of Political Organizations (parties), inspection of accounting, verification of reliability and legality of donations and counter-checks.

Within the reporting period **17** decisions have been taken on detected violations, asking to return to the State budget funds received contrary to the Law on Financing of Political Organizations (parties) in the amount of **Ls 58,305.62**. Compared to previous year, the sum of such donations was bigger by Ls 42,886.63. It shows that unfortunately the activity of

political parties still does not reflect full compliance with legislation and therefore considerable enough violations are discovered.

When verifying the observance of procedure for submission of annual declarations of financial activity in 2005 and of annual statements as well as for including false data in the declarations, **21** reports on administrative violations have been drawn up and **15** decisions on application of administrative fine have been made in total amount of **Ls 4,275**. Due to insignificance **6** cases on administrative violation have been ceased.

If a political party fails to submit the annual statement or the declaration of financial activity and notification about planned election expenses or said documents have no indication of data required by law, or false data is provided, or if provisions of the Law on Financing of Political Organizations (parties) are not met, then such political party shall be called to administrative responsibility in accordance with procedure specified by law.

As result of monitoring of income and expenditure declarations of elections in 2005, **21** reports on administrative violations have been drawn up and **17** decisions on application of administrative fine have been made in total amount of **Ls 32,045**. Through their insignificance **4** cases on administrative violation have been ceased.

When verifying the observance of procedure for submission of 2006' Saeima pre-election expenditure declarations, notifications on planned total election expenses and election income and expenditure declarations, **2** reports on administrative violations have been drawn up and **1** decision on application of administrative fine has been made in the amount of **Ls 250**. Through its insignificance **1** case on administrative violation has been ceased.

When assessing the observance of procedure for submission of 2006' reports on gifts (donations) to political parties, **2** reports on administrative violations have been drawn up and and in both occasions the administrative cases have been ceased through their insignificance.

9 decisions in administrative violation cases have been contested by political parties before Director of the Bureau.

In accordance with administrative acts issued by the Bureau in 2006, the State Treasury has received fines imposed on political parties in the amount of **Ls 22,395.36** as well as financial resources in the amount of **Ls 16,958.92**, which have been received contrary to the Law on Financing of Political Organizations (parties).

For timely non-compliance with requests of the Bureau **3** reports on administrative violations have been issued and relevant court has taken decisions on application of administrative fine in the amount of **Ls 275**.

Basing on the Bureau's decision on application of administrative fine, **7** decisions and **2** execution orders have been sent to bailiffs for collection of a fine.

Within the reporting period the Bureau has submitted to the court 5 claims for suspension of activity of political parties, of which 1 claim has been revoked since legal requirements of have been then fulfilled, and 1 claim for cessation of activity of political party. Basing on the Bureau's claim, activity of **3** political parties has been suspended and activity of **1** political party has been ceased.

Results in Court Proceedings

In 2006 the Bureau has been represented at **98** court session.

- 40 court sessions took place in the Administrative District Court;
- 20 court sessions took place in the Administrative Regional Court;:
- 8 court sessions took place in the Supreme Court.

Representatives of the Bureau participated at:

- 24 court sessions on civil cases at 1st instance:
 - ✓ 7 court sessions on violations by political parties;
 - ✓ 17 court sessions on violations by public officials;
- 4 court sessions on consideration of civil cases at 2nd instance about violations by public officials;
- 2 court sessions on consideration of criminal cases.

7 claims have been considered in 2006 on voluntary compensation for damages caused to the State, of which 6 decisions have come into effect and the amount of **Ls 9,466.91** has been collected from officials at fault. One decision has been appealed in the amount of Ls 2,659.18.

Judicial Practice

Review of decisions made by the Bureau at courts play an important role in order to develop a uniform interpretation of the law in further activities of the Bureau. Among the considered cases, the problems shall be treated as important on interpretation of the following legal norms:

- determination of a legal status of a notice of compensation for damages caused to the State.
The Administrative Cases Department of the Supreme Court Senate has indicated that *the Bureau's letter, by which a legal situation is repeatedly stated and a liability is imposed to compensate the State for damages caused and enter the illegally obtained income into the State Treasury, shall not be considered as a liability-imposing administrative act. It shall not also considered as a stating administrative act since a competent institution once has already made such ascertainment and a person had a possibility to appeal it within the framework of administrative violation case. Thus, such letter shall be assessed as a notification by which institutions remind a person that he/she has a liability to voluntarily compensate for damages caused to the State;*
- determination of legal status of an order on disciplinary punishment of an official of the Bureau, interpretation of Article 5 of the Law on Corruption Prevention and Combating Bureau (*Appointing and Discharging Officials of the Bureau*) and reason for termination of legal labour relations, applying the norms of the Labour Law;
- interpretation of Article 44 of the Civil Procedure Law (*Expenses Associated with Conduct of Case and their Compensation*);
- interpretation of Article 7 Prohibition of Anonymous Gifts (Donations) and Article 13 Control and Monitoring over the Implementation of the Law of the Law on Financing of Political Organizations (parties) and of Article 5 of the Law on Corruption Prevention and Combating Bureau Functions of the Bureau in Monitoring Observance of Party Financing Regulations by Political Organizations (Parties) and their Associations;

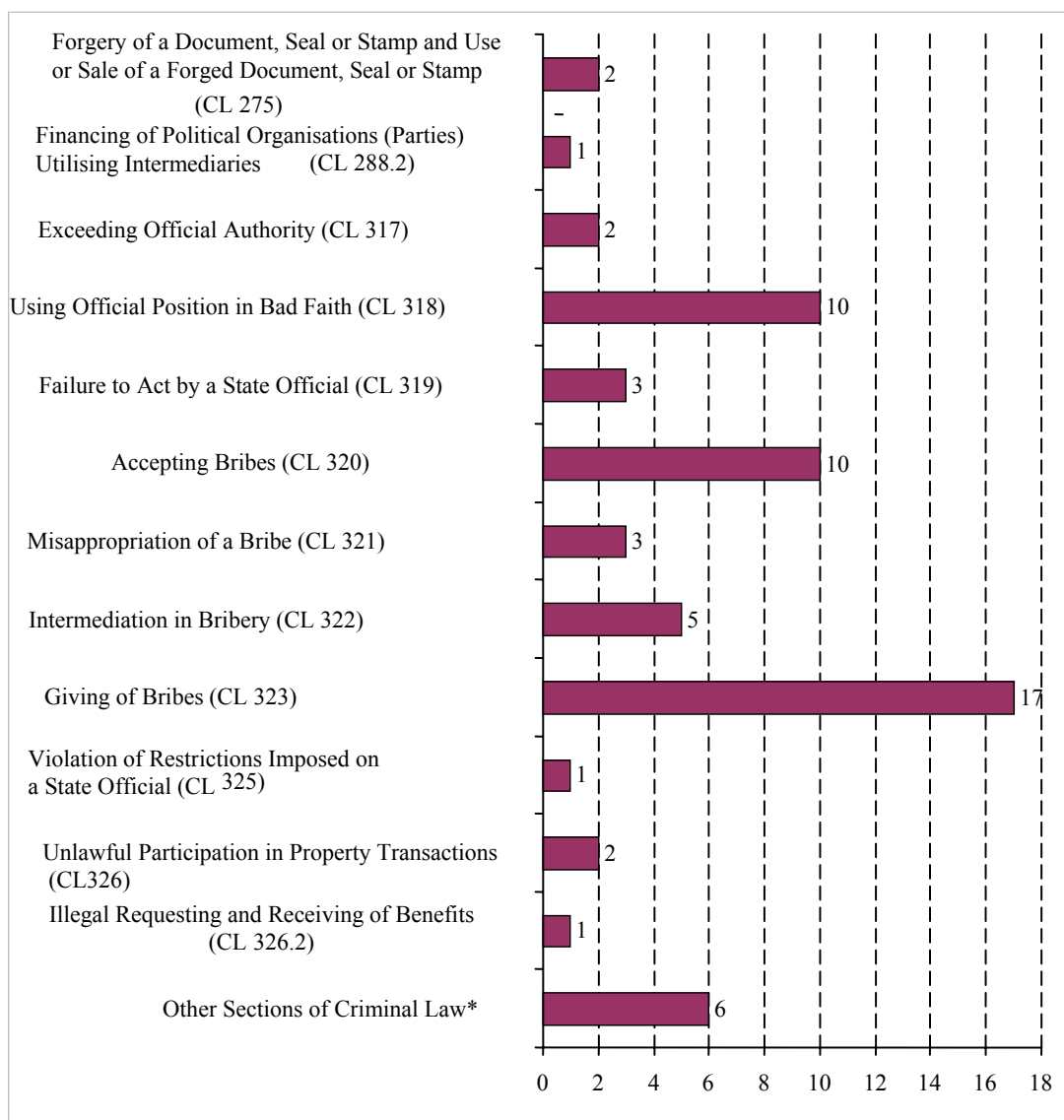
- interpretation of Article 62 Hearing of Participants in Administrative Proceedings and Article 72 Correction of Clerical and Mathematical Calculation Errors of the Administrative Procedure Law;
- conferment of status of a public official and interpretation of Article 37 Terms of Imposing an Administrative Punishment of the Administrative Violations Code of Latvia;
- interpretation of Article 1, Paragraph 4 (*counterparty*) of the Law On Prevention of Conflict of Interest in Activities of Public Officials and of Section 10, Paragraph 1, Subparagraph 8 the right of the Bureau' officials to issue a warning to a person that violations of the law are unacceptable of the Law on Corruption Prevention and Combating Bureau.

Results in Corruption Combating

In 2006 the Investigation Division of the Bureau initiated **51** criminal proceedings. **41** criminal proceedings against **65** persons were sent for criminal prosecution and **16** criminal proceedings were terminated. **5** criminal proceedings were sent to other investigatory institutions in accordance with the jurisdiction. **14** criminal proceedings were received from other investigatory institutions. **51** decisions were taken in the form of a resolution to refuse to initiate criminal proceedings.

Comparison of the number of disclosed offences with previous year demonstrates a considerable growth in number of persons against whom criminal proceedings were initiated in connection with giving of bribes. While in 2005 only 5 such offences were disclosed, then in 2006 - already 17. Other disclosed offences – accepting bribes and using official position in bad faith – have remained on the same level (see Charts 12 and 13).

Chart 12. Criminal cases sent for criminal prosecution, by Sections of the Criminal Law, in 2006



* Criminal cases were sent to the prosecution office suggesting to initiate criminal prosecution also after the following sections of the Criminal Law: Section 179 (*Misappropriation*), Section 195 (*Laundering of the Proceeds from Crime*), Section 196 (*Use of and Exceeding Authority in Bad Faith*), Section 219 (*Avoiding Submission of Declaration*), Section 253 (*Unauthorized Manufacture, Acquisition, Storage, Transportation and*

Conveyance of Narcotic and Psychotropic Substances) and Section 298 (*Knowingly Providing False Information*).

Statistical data does not reflect the volume of cases investigated by the Bureau and the work contributed to investigation of criminal acts. Cases sent for criminal prosecution have become much more complicated, in many cases the acquired evidences are related to more than one committed criminal offence or criminal violation. Since corruptive offences are featured by a high latency that is, a concealed nature, the efficient collection of evidence prove that the Bureau's capacity to investigate and obtain evidence even in complicated and resource-consuming cases has considerably increased during the last years.

Long term suspicions about corruptibility of certain representatives of judicial power, which destroys the society's trust in fairness of the court, were unfortunately confirmed when the Bureau gathered evidence on criminal actions of two judges in connection with taking favorable decisions in the interests of the briber.

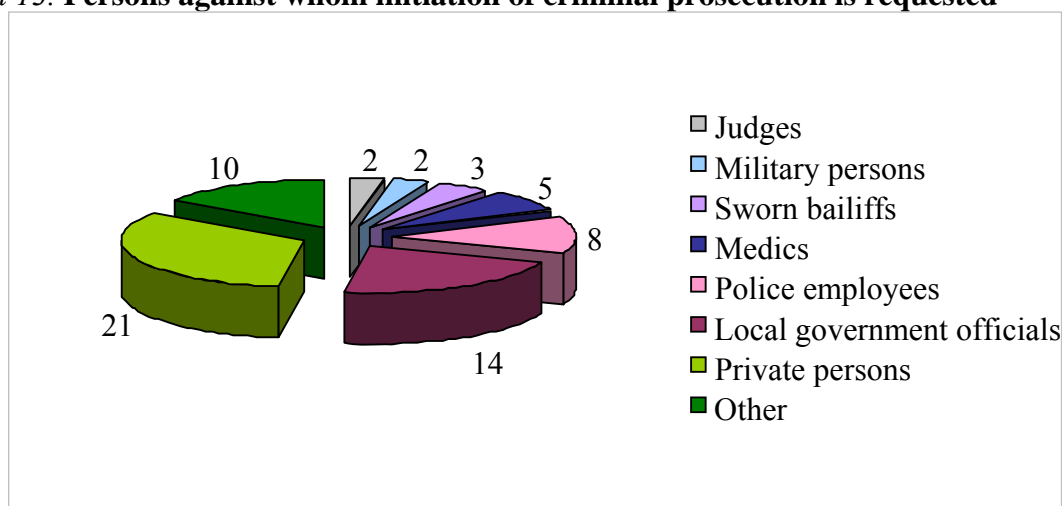
Considerable efforts were put into investigation of criminal actions associated with economic activity of institutions, including four cases on procurements. In the framework of investigation it was discovered that some public officials used their official position for realization of own interests and organized unlawful procurements, concluding contracts on terms unfavorable for the institutions, re-adapted the procurement specifications or took other actions in order to ensure that the delivery could only be performed by a particular businessmen. Thus not only essential harm is caused to the state power and administration structure. Relevant institutions also faced material damages.

Very positive assessment deserves the fact that more and more institutions and authorities work internally on prevention of corruption and try to get rid of corrupted officials, for example, the Military Intelligence and Security Service, the State Border Guard, the Road Traffic Safety Directorate and other institutions. Though much has been done for strengthening control also in the State Police, unfortunately the Bureau had to request the prosecution office to initiate criminal prosecution against 8 officers of various police structures.

In times when the level of understanding of corruption inadmissibility is already consolidated among public officials, institutions still have to face the offences committed by their clients and visitors who become bribers. Institutions such as the State Probation Service and the Road Traffic Safety Directorate actively turn against such criminally punishable actions and in cooperation with the Bureau investigators have gathered evidence in order to held criminally liable guilty persons.

At the end of the reporting period **46** criminal proceedings were registered in the Bureau's Department of Investigations, including 24 criminal proceedings initiated before 1 January 2006 and 22 criminal proceedings initiated during 2006.

Chart 13. Persons against whom initiation of criminal prosecution is requested



After entering into force of the new Criminal Procedure Law on 1 October 2005, the Bureau informs the public only about criminal proceedings that are forwarded to the prosecution office for criminal prosecution or also in cases when such important procedural decision are made as detention of a person or recognizing a person as a suspect in the framework of criminal proceedings. The report gives chronologically arranged information on all cases sent for criminal prosecution.

On 4 January 2006 Bureau forwarded criminal proceedings to Riga city Vidzemes District Prosecution Office asking to initiate criminal prosecution against an officer of Riga City Traffic Police under the **Section 318, Paragraph 1 of the Criminal Law (Using Official Position in Bad Faith)** and officials of the State Narcology Agency under the **Section 275 (Forgery of a Document, Seal or Stamp and Use or Sale of a Forged Document, Seal or Stamp), Paragraph 2 of the Criminal Law** in connection with alcohol test. Criminal case was initiated on 17 May 2005.

Criminal proceedings against a businessman were forwarded to the Division for Investigation of Particularly Important Cases of the General Prosecutor's Office **on 3 March 2006** suggesting to initiate criminal prosecution for bribery under **the Section 323, Paragraph 1 of the Criminal Law (Criminal Law, Section 323, Paragraph 1)** and against a private person for **intermediation in bribery** under the **Section 322, Paragraph 1** of the Criminal Law. The businessman offered a bribe in the amount of Ls 50,000 to an official of the Bureau in order that the latter would unlawfully ensure taking a favorable decision in a criminal case that was proceeded against the businessman in other law enforcement body and in the framework of the jurisdiction of the Bureau no activities would be performed in order to disclose criminal offences committed by the businessman. After giving a part of the bribe in the amount of Ls 10,000 the businessman was detained on 25 January 2006 and on 26 January another private person was detained for intermediation in bribery.

On 8 March 2006 materials of criminal proceedings were sent to the Division for Investigation of Particularly Important Cases of the General Prosecutor's Office for criminal prosecution against a private for misappropriation of a bribe (**Criminal Law, Section 321, Paragraph 1**). The person requested a bribe as if for giving to a public official- a sworn

bailiff, in order the latter would not carry out necessary executive activities. However, in fact the person misappropriated the bribe.

On 9 March 2006 materials of criminal proceedings were forwarded to the prosecution office of Riga Latgale Urban District with the request to start criminal prosecution against a private person for misappropriation of a bribe (**Criminal Law, Section 321, Paragraph 1**). Materials of criminal proceedings show that O. placed an advertisement on the Internet offering services of intermediary in unlawful acquisition of driver's licenses for Ls 600 remuneration. Driver's license could be acquired without passing the theoretical examination and practical vehicle driving. O. requested a bribe as if for giving it to a public official for performing illegal activities. In fact O. misappropriated the bribe. After part of the bribe in the amount of Ls 300 was accepted, the person was detained on 7 December 2005.

On 17 March 2006 materials of criminal case against two former officials of the Ministry of Education and Science (IZM) were sent the Prosecutor's General Office. The case was related with the lease of immovable property in Mežaparks, which is in IZM possession. Having assessed testimonies and other evidences gathered in the course of criminal proceedings, the Bureau's investigator suggested to initiate criminal prosecution against former IZM State Secretary for exceeding official authority (**Criminal Law, Section 317, Paragraph 2**), and against IZM lawyer – for failure to act (**Criminal Law, Section 319, Paragraph 2**).

During pretrial investigation, it was established that former IZM State Secretary, as a public official holding a responsible position, took malicious actions, exceeding the limits of his official authority and acting contradicting interests of the service, thus causing an essential damage with serious consequences. IZM lawyer in preparing the corresponding contract did not take actions which she had to take in accordance with the duties of the held position in order to prevent the damage.

Materials of criminal proceedings prove that in December 2004 former IZM State Secretary concluded a contract with "Studentu Centrs" SIA (limited liability company) on the lease of state owned real estate complex in Mežaparks. Terms of contract were obviously disadvantageous for the state, and were not complying with legal provisions stipulating issues of rent and lease. Pretrial investigation concluded that the amount of rent (Ls 1,500) is below both- the actual market value and the minimum rent determined in the legislation. The amount of monthly rent should be in fact at least by Ls 4,565 higher than that specified in the contract. Actually, rights on using buildings and premises located on the real estate land are "given as present" to the business company for the period of 20 years. Estimated material damage caused to the state is several million lats during the period of contract (at least 20 years).

Rights to use immovable property value of which together with buildings and premises is almost Ls 1,000,000, cadastral value of the land is Ls 230,545, were given to a company established just before concluding the contract and having no adequate experience in business activities. The company was not even asked to present management plan and there was no examination on capacity for attraction of financial. When letting SIA "Studentu Centrs" to rent the immovable property in Mežaparks public officials did not take into account rights of IZM regarding this particular immovable property and violated legal provisions stipulating that Riga Technical University (RTU) is the only authorized user of this property. In the course of criminal proceedings it was detected that conclusion of this contract had not only caused crucial material damage to the state, but also essentially threatened the lawful rights and interests of RTU and leaseholders with whom RTU had also previously concluded contracts of lease.

Pretrial investigation found out that the rent contract was prepared and signed in haste. Though several proposals were submitted to the Ministry on management of the particular immovable property, the only proposal delivered for consideration was prepared by SIA

“Studentu Centrs”. Thus, IZM officials acted inconsistently and demonstrated different attitude towards other tenderers which confirms that activities of public officials had malicious purpose.

On 20 March 2006 the Bureau forwarded to Riga District Prosecution Office materials of criminal proceedings initiated on 30 December 2005 asking to start criminal prosecution against three persons for unlawful activities in connection with bribery. The Bureau’s investigator proposed to commence criminal prosecution against two officers of Riga City Central Police Administration – the head of Economic Police Bureau division under the **Section 320, Paragraph 2 and Section 15, Paragraph 4 of the Criminal Law**, (demanding bribe in large amount and attempt to accept bribe) and the senior specialist of Administrative Department under the **Section 322, Paragraph 2, 321, Paragraph 1 and Section 15, Paragraph 4 of the Criminal Law** (intermediation in bribery and attempt to misappropriate bribe), as well as a sworn lawyer under the **Section 322, Paragraph 1 and Section 321, Paragraph 1 of the Criminal Law** (intermediation and misappropriation of bribe).

Pretrial investigation detected that a bribe in the amount of Ls 19,500 was demanded with intermediation of the sworn lawyer from a company with the purpose to provide the latter with the right of free handling of financial resources “freezed” (blocked) in the bank in the amount of Ls 64,000. The sworn lawyer was one of intermediaries in bribery. Having retained a part of the demanded bribe, he gave the remaining part to second intermediary, the police officer.

On 11 April 2006 materials of criminal proceedings initiated in October 2005 were sent to Division for Investigation of Particularly Important Cases of the Prosecutor’s General Office for criminal prosecution against three persons in connection with bribery in Valmiera Branch of the Naturalization Board (NB).

Pretrial investigation detected that an official of NB, using official position, ensured adoption of decision favorable for M. during the knowledge tests under the naturalization procedure for acquiring citizenship of Latvia. The NB officials accepted for that an unlawful compensation together with two intermediaries.

Materials of criminal proceedings show that the Chief of Headquarters of Riga Municipal Police (RMP) offered M. to settle the naturalization examination in NB Valmiera Branch for compensation in the amount of Ls 500. Head of RMP Headquarters and a private person were intermediaries in giving bribe to NB official, each of them having misappropriated a part of bribe given to NB official.

Investigator of the Bureau proposed to initiate criminal prosecution against the Head of Valmiera NB Branch for accepting bribe (**Criminal Law, Section 320, Paragraph 1**), against the Head of RMP Headquarters and the private person – for intermediation and misappropriation of a part of the bribe (**Criminal Law, Sections 322 and 321**).



Deputy Director of the Bureau Juta Striķe (from right to left), Director of the Bureau Aleksejs Loskutovs, Chief of State Police Central Criminal Police Department Jānis Vonda at press briefing of State Police about circumvention of procedure for border crossing at "Grebņeva" border checkpoint

Photo: AFI

On 28 April 2006 materials of criminal proceedings initiated in the beginning of April 2006 were sent to the prosecution office of Riga City Ziemeļu District for criminal prosecution against investigator of the Criminal Police Department, Central Riga Police Administration, the State Police for demanding and accepting bribes according to features of criminal offence provided in the **Section 320 (Accepting Bribes), Paragraph 2 of the Criminal Law**. Pretrial investigation detected that the investigator of the Criminal Police demanded a bribe in the amount of Ls 2,000 from an interested person in order to terminate criminal proceedings. The investigator was in charge of criminal proceedings related to criminal offence in the area of traffic safety. The investigator of the Criminal Police was detained on 3 April after accepting a part of the bribe in the amount of Ls 500.

On 3 May 2006 materials of criminal proceedings initiated on 24 March 2006 were sent to the prosecution office of Riga Central District for criminal prosecution for giving a bribe to an officer of the Criminal Police. Materials of criminal proceedings show that during the police inspection a person L. offered and later also gave a bribe to the inspector of the Criminal Police of the Central Police Administration of Riga City in the amount of Ls 400 with the purpose that the latter would perform unlawful actions in the interests of the briber. Investigator of the Bureau asks to initiate criminal prosecution against the private person for bribery under the **Section 323 (Giving of Bribes), Paragraph 1 of the Criminal Law**.

On 12 May 2006 criminal case initiated on 6 June 2005 was sent to the prosecution office of Riga Vidzemes Urban District for criminal prosecution under the **Section 320 (Accepting Bribes), Paragraph 1, Section 323 (Giving of Bribes), Paragraph 1 and Section 322 (Intermediation in Bribery), Paragraph 1** against the Head of Alcohol and Narcotic Intoxication Expertise Division of the State Narcology Centre for unlawful activities committed during alcohol tests for drivers and for giving a bribe to an officer of Riga City Traffic Police.

On 12 May 2006 materials of criminal proceedings were sent to the Division for Investigation of Particularly Important Cases of the Prosecutor's General Office for criminal prosecution against former chairman of the board of state SIA (limited liability company) "National Rehabilitation Centre Vaivari" (hereinafter referred to as the Centre) for violation of restrictions imposed on a state official and exceeding official authority. Materials of criminal proceedings show that from January 2001 to October 2005 the suspected person carried out unlawful activities, individually making decisions concerning

himself- issued instructions and personally determined payment of compensation in addition to the salary. That has caused essential damage to the state in the amount of Ls 82,204.60.

Pretrial investigation detected that public official, holding position of chairman of the board of the Centre exceeded his official authority as he voted for the increase of the fixed capital of the private business during the meeting of participants of SIA "Sportrehs" in December 2004. Thus participation of the Centre in the fixed capital of said enterprise was reduced. Materials of criminal proceedings show that in December 2004 the Centre requested the Ministry of Health to agree with reduction of the Centre's shareholding in the fixed capital of SIA "Sportrehs". However, this request was rejected by the Ministry of Health.

At the same time in the framework of criminal proceedings it was established that public official was in the conflict of interest situation for a long time by taking decisions and performing supervisory functions in relation to his spouse. Measures to terminate this situation were taken only after the examination initiated by the Bureau in January 2004 when the official issued instruction providing to eliminate the conflict of interest in decision-making, assigning the commission (consisting of three members) rights to solve problems and to sign documents connected with his spouse.

Investigator of the Bureau asked to start criminal prosecution against the suspected official under the **Section 325 (Violation of Restrictions Imposed on a State Official), Paragraph 1, and Section 317 (Exceeding Official Authority), Paragraph 1** of the **Criminal Law**.

On 17 May 2006 materials of criminal proceedings were sent to the Division for Investigation of Particularly Important Cases of the Prosecutor's General Office for criminal prosecution against the chairman of Ventspils Town Council and chairman of the board of Ventspils Free Port Administration.

When performing a pretrial investigation in criminal proceedings initiated by the Prosecutor's General Office in December 2005 investigator of the Bureau asked to start criminal prosecution against the suspected official for using official position in bad faith (**Criminal Law, Section 318, Paragraph 2**) and knowingly providing false information (**Criminal Law, Section 298, Paragraph 1**). Criminal proceedings were started in relation to nonperformance of provisions of instruction of the Cabinet of Ministers. Pretrial investigation detected that, a public official holding an official position, the chairman of Ventspils Town Council and chairman of the board of Ventspils Free Port Administration, has used in bad faith both the position and authority vested by the Law on Local Governments. He acted contrary to public interests through his deliberate and purposeful nonperformance of provisions of Instruction of the Cabinet of Ministers No. 122 of 23 February 2005 "On Appointment of O. Grinbergs to Position of a Member of Ventspils Port Board". He has intentionally and unreasonably delayed implementation of the said instruction, referring to unjustified formal reasons and by issuing an instruction "On Formation of Contest Commission" on 30 December 2005 as well as by participating in organization of a vacancy contest for the position of Ojārs Grinbergs and supporting this contest at the same time not using the right of chairman of local government to refuse signing a decision of the town council and to return it for repeated consideration (the Law on Local Governments). He used his official authority in bad faith thus crucially threatening public interests in the sphere of economy, causing harm to the local government structure and affecting lawful interests and rights of natural person Ojārs Grinbergs as well as causing material damages to him.

Features of a criminal offence were detected in the framework of criminal proceedings when suspected official submitted to the Prosecutor's General Office a deliberately false report with the purpose to start criminal proceedings against Deputy of Ventspils Town Council Ojārs Grinbergs and Minister of Economics at that time Krišjānis Kariņš. The report was submitted on 28 November 2005.

On 19 May 2006 materials of criminal proceedings were sent to the Division for Investigation of Particularly Important Cases of the Prosecutor's General Office for criminal prosecution against sworn bailiff of Riga District Court for using official position in bad faith. A totality of evidences gives reason to consider that the sworn bailiff, using his official position in bad faith. He committed intentional actions, and namely, has executed recovery of movable property of a third person: cash assets in credit institution, thus violating requirements of the Civil Procedure Law and the Commercial Law. These activities caused heavy consequences for a joint-stock company in terms of material damage in the amount of Ls 7,000. It affected also companies' rights and interests. Materials of criminal proceedings show that on 10 August 2005 the sworn bailiff of Riga District Court received an application for execution of a writ from a construction company that is for execution of recovery against the debtor (a general partnership) in the amount of more than Ls 100,000.

On 15 August 2005 the sworn bailiff executed recovery upon the third person, a member of the general partnership, issuing instructions to several credit institutions on distraining the company's cash assets in the amount of the debt.

In accordance with the Commercial Law, Section 95, Paragraph 3, effective court decisions in a case where the defendant is only a company, it is not allowed to recover assets of a member of the company.

In September 2005 the court took a decision to terminate execution proceedings in the part against the member of the general partnership on collection from the general partnership in favour of the construction company, as well as to cancel decision of the sworn bailiff on distraining of cash assets of the debtor – the member of the general partnership.

Investigator of the Bureau asked to initiate criminal prosecution against the suspected sworn bailiff of Riga District Court under the **Section 318 (*Using Official Position in Bad Faith*), Paragraph 2 of the Criminal Law.**

On 2 June 2006 materials of criminal proceedings were sent to the Specialized Multi-branch Prosecution Office asking to start criminal prosecution against a private person for unauthorized storage of narcotic substances in the Central Prison under the **Section 253 (*Unauthorized Manufacture, Acquisition, Storage, Transportation and Conveyance of Narcotic and Psychotropic Substances*), Paragraph 1 of the Criminal Law.**

On 5 June 2006 materials of criminal proceedings were sent to the Division for Investigation of Particularly Important Cases of the Prosecutor's General Office asking to held criminally liable an official of the Ministry of the Interior (MI) and an official of an enterprise for commitment of a criminal action in connection with procurement for the needs of MI in 2001. Pretrial investigation showed that a uniform purchased for the needs of MI system institutions was made of fabric which did not meet requirements specified in the tender regulations. This was confirmed by expertise of textile fibre of the fabric.

Pretrial investigation has acquired evidence that the official of the enterprise, using his official authority in bad faith and having forged the documents, deluded the officials of MI. Materials of criminal proceedings witness that when participating in the tender and submitting the offer, the official of the enterprise certified that information delivered for the tender is true. Verification of documents of the proposal showed that 18 reports submitted for the tender on testing fabrics were forged. Meanwhile, the official of MI appointed as the chairman of the procurement commission failed to take necessary actions in order to prevent the essential damage. Pretrial investigation detected that as the chairman of the tender commission he knew about forgery of reports on tests of fabric submitted to the tender. However, the MI official did not take necessary actions according to law or to the duty imposed on him in order to prevent doing harm to the local government structure, to rights and interests of persons protected by the law, thus inflicting an essential damage to the state.

Investigator of the Bureau asked to impose criminal liability under the provisions of the **Section 319 (Failure to Act by a State Official), Paragraph 1 of the Criminal Law**, and the official of the enterprise according to the features of a criminal action provided in **Criminal Law, Section 275 (Forgery of a Document, Seal or Stamp and Use or Sale of a Forged Document, Seal or Stamp), Paragraph 2** and **Section 196 (Using and Exceeding Official Authority in Bad Faith), Paragraph 2**.

On 12 June 2006 materials of criminal proceedings were sent to Riga District for criminal prosecution against sworn bailiff of Riga Regional Court for using official position in bad faith under the **Criminal Law Section 318 (Using Official Position in Bad Faith), Paragraph 2**.

A totality of evidences gives the reason to consider that the sworn bailiff of Riga Regional Court, using his official position in bad faith, executed activities against a debtor located on the territory of other district, that is beyond the boundaries of district served by the said bailiff, thus violating the procedure specified in several legal acts in relation to performance of the office duties. These activities had heavy sequences, and namely, the debtor faced material damage in the amount of Ls 80,000 and his rights and interests were affected.

Materials of criminal proceedings show that in January 2005 the sworn bailiff of Riga District Court approved execution of a writ on recovery from debtor whose location was the town of Liepāja, that is, outside the territory not only of district served by him but also of the regional court. In accordance with the Civil Procedure Law the bailiff could approve execution of a writ implementation of which should be done in other district in the territory of a regional court to which the district refers to. In this case - in the territory of Riga District Court and not of Kurzemes District Court since both the debtor and his property are located in the territory of Kurzemes District Court. Pretrial investigation detected that sworn bailiff of Riga District Court did not notify about his acceptance of the execution of case and executory actions accomplished or to be taken in the territory of Kurzemes District Court by the relevant sworn bailiff in whose district the debtor was located. That was to the contrary with the established procedure. At the same time the sworn bailiff issued instructions for the Register of Enterprises and for credit institutions in relation to the debtor with wrong indication of its address showing Riga instead of Liepāja. He did not wait until receiving responses from the credit institutions and to the contrary with requirements of law, sent a request to a division of land books for registration of the debt collection note for property belonging to the debtor.

After having received relevant information from the debtor in February 2005 the sworn bailiff of Riga District Court sent a request to cancel the collection note on the debtor's property to the division of land books, indicating that actually the collection would be carried out by other bailiff with the practice place in the territory of Kurzemes District Court. However, on the same day the sworn bailiff of Riga District Court accepted another writ of execution on collection from the same debtor but already for the benefit of other person. After numerous information exchanges with the debtor the sworn bailiff of Riga District Court took a decision to postpone the executive actions only on 3 May 2005. Meanwhile, the debtor was not allowed to take any action and this decision sent to the Register of Enterprises was effective until July 2005.

On 3 July 2006 materials of criminal proceedings were sent to Riga District prosecution office for criminal prosecution against the sworn bailiff of Riga District Court (hereinafter referred to as the bailiff) for using official position in bad faith. A totality of evidences gives the reason to consider that the bailiff, using his official position in bad faith, executed activities against a debtor, which had heavy sequences, and namely, a material damage was caused in the amount of Ls 50,000.

Materials of criminal proceedings show that in January 2005 the bailiff in the case of execution organized the second auction of movable property belonging to the debtor – capital

shares in a SIA (limited liability company) and did not follow requirements of the Civil Procedure Law. In accordance with provisions of the Civil Procedure Law (Section 589, Paragraph 1), an auction shall not be recognized by a bailiff if a buyer fails to pay the whole amount which he has bidden in due time; meanwhile, in the framework of investigation it was detected that the bailiff decided to continue the auction, having no legal grounds for that. Besides, not all participants of the auction were notified about its continuation.

Investigator of the Bureau asks to hold criminally liable the suspected bailiff according to the **Criminal Law, Section 318, Paragraph 2 (Using Official Position in Bad Faith under Responsibility Aggravating Circumstances)**.

On 10 July 2006 criminal proceedings were sent to the prosecution office for criminal prosecution against director of Riga Vocational School of Carpentry who from 26 October 2000 to 26 November 2004 repeatedly used official position in bad faith, violated restrictions imposed on public officials, favoured and through personal interest and for lucrative purposes participated in prohibited property transactions, thus having done an essential harm to public power.

On 21 July 2006 materials of criminal proceedings were sent to the prosecution office of Central District for criminal prosecution against a private person for giving a bribe to the senior adviser of Riga Territorial Unit, the State Probation Service. Materials of criminal proceedings show that a person offered a bribe in the amount of Ls 140 in order to avoid implementation of instruction of the prosecution office on a punishment adjudged in a criminal case: 140 hours of forced labour. On 3 July 2006 after giving bribe the said person was detained. Investigator of the Bureau asked to initiate criminal prosecution against the suspected person pursuant to the features of a criminal action provided in the **Criminal Law, Section 323 (Giving of Bribes), Paragraph 1**.

On 4 August 2006 materials of criminal proceedings were sent to the prosecution office of Latgales Urban District for criminal prosecution against a private person for demanding a bribe in the amount of Ls 500 from the director of a SIA as if for giving to officials of the State Revenue Service.

On 14 August 2006 investigator of the Bureau sent materials of criminal proceedings to the prosecution office of Liepājas District asking to start criminal prosecution against former chairman of Rucavas Parish [small rural district] Council for using official position in bad faith.

Criminal proceedings received from the prosecution office of Liepājas District during pretrial investigation showed that Rucavas Parish Council invested their real estate "Ostmalas" into "Papes osta" SIA at reduced value, thus having caused damages to the local government in the amount of Ls 29,797. In the course of the investigation it was detected that the official, when holding the position of chairman of Council of Rucavas Parish and deciding on joining of the local government to "Papes osta" SIA concluded a contract with a certain business entity on establishment of "Papes osta" SIA and invested. This land was not assessed as a real estate in accordance with the Commercial Law.

Materials of criminal proceedings prove that the official acted not in the interests of the local government but to the contrary, being aware that these actions contradict the interests of the local government. Thus, an essential damage has been caused to the local government.

Said actions resulted in violation of provisions of the Law on Alienation of Assets of the State and Local Governments, the Commercial Law, the Law on Capital Shares and Commercial Enterprises of the State and Local Governments and the Law on Prevention of Squandering of the Financial Resources and Property of the State and Local Governments.

Besides, when establishing “Papes osta” SIA and investing a real estate at reduced price, the local government did not acquire conclusive influence in the business entity, and namely, Rucavas Parish Council acquired 40% of shares in the fixed capital of “Papes osta” SIA.

Investigator of the Bureau asked to start criminal prosecution against former chairman of Rucavas Parish Council according to the **Criminal Law, Section 318, Paragraph 2 (Using Official Position in Bad Faith under Responsibility Aggravating Circumstances)**.

On 15 August 2006 materials of criminal proceedings were sent to the prosecution office for of criminal prosecution against chairman and former executive director of Ventspils District Vārves Parish Council for unlawful action when in November 2001 local government forest property “Medoles” was sold in auction for Ls 41,200 while the starting price of the auction had to be at least Ls 119,617. The property of the local government of 187.9 ha area is located in the Baltic Sea shore protection zone.

Materials at disposal of the Bureau show that the cadastral value of the land was determined in the amount of Ls 19,273 and the value of the forest stand – Ls 100,344. However, the auction starting price was established in the amount of Ls 40,000. Since the auction resulted in sale of the forest property for considerably lower price (Ls 41,200) damages caused to the local government are Ls 78,417.

Pretrial investigation proved that both officials, when in 2001 transferring the immovable property for alienation and approving the auction regulations and the contract of purchase-and-sale, did not act in the interests of the local government but on the contrary. Section 3 of the Law on Prevention of Squandering of the Financial Resources and Property of the State and Local Governments specifies that “a property shall be alienated and transferred into ownership or use of other person for possibly higher price”.

In 1998 the Forest Management Project for 1998 – 2012 was prepared wherein the value of the forest was determined in the amount of Ls 100,344.20 and before the auction a reference from the State Land Service was received which stated that the cadastral value of the land is Ls 19,273. However, former chairman of Vārves Parish Council working on the auction regulations did not indicate therein the value of the forest specified in the Forest Management Project and the cadastral value of the land. Together with the chairman of the Parish Council they both also did not inform the deputies of the Parish Council about the specified value of the forest stand and the cadastral value of the land.

Materials of criminal proceedings prove that Vārves Parish Council did not address the Cabinet of Ministers in order to receive single permit for sale of immovable property “Medoles” although such procedure is stipulated in the Law on Protected Zones, Section 36 “Restrictions in Protected Zone of the Baltic Sea and in the Gulf of Riga”.

Unlawful actions of officials of Vārves Parish Council resulted in violation of provisions of laws “On Local Governments”, “On Protected Zones”, “On Procedure of Alienation of State and Local Governments Property”, “On Procedure of Assessment of State and Local Governments Property Objects” and “On Prevention of Squandering of the Financial Resources and Property of the State and Local Governments”.

Investigator of the Bureau asked to initiate criminal prosecution against chairman and former executive director of Ventspils District Vārves Parish Council according to the **Criminal Law, Section 318, Paragraph 2 (Using Official Position in Bad Faith under Responsibility Aggravating Circumstances)**.

On 1 September 2006 materials of criminal proceedings were sent to the Division for Investigation of Particularly Important Cases of the Prosecutor’s General Office for criminal prosecution against an official of Riga Dome (RD) [city council] Property Alienation Department who demanded and accepted a bribe in the amount of Ls 12,600 from a private person in order to ensure transferring a land for privatization.

Criminal prosecution is requested also in relation to another three persons: two employees of RD (Committee for Transport and Communication Matters and Committee for Property and Privatization Matters) for intermediation in bribery as well as against one private person for giving a bribe.

Materials of criminal proceedings prove that in December 2005 a businessman with a request to solve an issue related to a land leased by his company referred to his acquaintance, an employee of RD Committee for Transport and Communication Matters, who, in her turn, advised to address first of all an employee of RD Committee for Property and Privatization Matters. Later the acquaintance also ensured giving of a bribe, involving the employee of RD Committee for Transport and Communication Matters.

Pretrial investigation proved that three days before the discussion of the related issue at the session of RD Committee for Property and Privatization Matters the businessman gave the demanded bribe to one of the intermediaries. Demander of the bribe, in his turn, accepted it after the corresponding decision was adopted at the session of RD Committee.

Information acquired in the course of investigation show that activities of the employee of RD Committee for Transport and Communication Matters has features of a criminal offence provided in the **Criminal Law, Section 179 (Misappropriation)**: the official misappropriated smart cards (permits for entrance into Vecrīgā [Old Town]) entrusted to her, giving and selling them to persons who are not RD officials or staff members.

On 7 September 2006 materials of criminal proceedings were sent to the Division for Investigation of Particularly Important Cases of the Prosecutor's General Office for criminal prosecution against three persons in connection with bribery in Daugavpils Regional Division of the State Technical Supervision Agency (VTUA).

Criminal proceedings were initiated in April 2006 on basis of information delivered by the Military Intelligence and Security Service (MIDD) about possible unlawful activities of its officers.

Pretrial investigation proved that MIDD officer through intermediation of his colleague gave a bribe in the amount of Ls 60 to a senior inspector of VTUA Daugavpils Regional Division for obtaining illegally driver's license for tractor.

Materials of criminal proceedings prove that the officer of MIDD did not pass the theoretical qualification examination while the senior inspector of VTUA did not observe requirements of legislation when issuing driver's license for tractor.

Investigator of the Bureau asked to initiate criminal prosecution against one suspected officer of MIDD for giving of a bribe under circumstances aggravating responsibility (**Criminal Law, Section 323, Paragraph 2**), against second suspected officer of MIDD – for intermediation in bribery under circumstances aggravating responsibility (**Criminal Law, Section 322, Paragraph 2**), and against the senior inspector of VTUA Daugavpils Regional Division - for accepting bribe (**Criminal Law, Section 320, Paragraph 1**).

On 15 September 2006 materials of criminal proceedings were sent to the prosecution office for criminal prosecution against two persons in connection with giving a bribe to an inspector of the Road Traffic Safety Directorate (hereinafter referred to as CSDD).

Materials of criminal proceedings show that a man offered and also gave a bribe in the amount of Ls 100 to an inspector of CSDD Riga Division of Vehicle Driver Examination in order the latter would ensure a successful result for another person at examination for obtaining a driver's license for vehicles of "B" category.

Pretrial investigation proved that the second person suspected in bribery tried to pass this vehicle driving test for the fourth time, initiated giving a bribe to an official of CSDD and also organized this criminal offence.

Investigator of the Bureau suggested to hold criminally liable suspected persons according to the **Criminal Law, Section 323 (Giving of Bribes), Paragraph 1**.

On 22 September 2006 materials of criminal proceedings were sent to Daugavpils town prosecution office for criminal prosecution against executive director of Daugavpils Local Government enterprise “Daugavpils Housing and Municipal Economy Enterprise” for using official position in bad faith for lucrative purposes.

Materials of criminal proceedings show that the executive director of the local government enterprise, holding a position of a public official and entitled to act with property and financial resources of the local government, concluded several contracts with companies contradicting the interests of the local government and the enterprise of the local government, thus having caused crucial damage.

On 22 September 2006 materials of criminal proceedings were sent to the prosecution office of Zemgales Urban District for criminal prosecution against a person for attempt to give a bribe to an official of CSDD according to the **Criminal Law, Section 323, Paragraph 3** (*Giving of Bribes under Especially Aggravating Circumstances*).

On 25 September 2006 the Bureau detained an official of the Ministry of Education and Science (IZM) and a head of an institution subordinated to the Ministry in connection with demanding and accepting a bribe in the amount of Ls 80,000.

In connection with the fact of bribery the Bureau’s investigator initiated criminal proceedings on allegations of criminal offences provided in the **Criminal Law, Section 320, Paragraph 3** (*Accepting Bribes under Especially Aggravating Circumstances*) and **Section 322** (*Intermediation in Bribery*), **Paragraph 1**.

Materials of criminal proceedings prove that the deputy state secretary of IZM (the acting state secretary) and director of Riga State Technical School, being in previous collusion, having carefully plotted their activities and using an intermediary, demanded a bribe in the amount of Ls 80,000 from a representative of a company in order they would sign a settlement in a civil case on behalf of the Ministry and the Technical School.

All three persons were detained after the criminal offence was completed and placed into the interim detention isolation ward. On 24 September 2006 a decision was taken to declare both the deputy state secretary of IZM (the acting state secretary) and director of Riga State Technical School as suspects having committed criminal offence under **the Criminal Law, Section 320, Paragraph 3**, and namely, accepting a bribe under aggravating circumstances, and the intermediary, the lawyer of Riga State Technical School – for having committed a criminal offence provided in the Criminal Law, Section 322, Paragraph 1.

On 29 September 2006 materials of criminal proceedings initiated on 26 October 2005 were sent to the Prosecution Office for Investigation of Financial and Economic Crimes for criminal prosecution against an inspector of the Traffic Police Department of the State Police. In August 2006 the inspector terminated labour relations with the State Police.

Investigator of the Bureau asked to start criminal prosecution against this person for commitment of a criminal action provided in the **Criminal Law, Section 219, Paragraph 2** (*Avoiding Submission of Declaration*), that is, indication of false information in a public official’s declaration regarding property and income on a large scale.

Pretrial investigation proved that the Traffic Police inspector in the declaration of a public official for 2004 did not indicate the income in the amount of USD 40,000 which was transferred into his bank account and which was used by the inspector as his personal funds.

On 4 October 2006 materials of criminal proceedings were sent to the prosecution criminal prosecution against the executive director of Daugavpils Town Council for accepting bribe and laundering of the proceeds from crime.

Pretrial investigation proved that in 2004 the executive director of Daugavpils Town Council has agreed with several businessmen that he, using official position, would ensure that certain enterprises managed or recommended by the businessmen would win in tenders organized by two local government enterprises: JSC “Daugavpils siltumtīkli [heat networks]” and SIA “Daugavpils Housing and Municipal Economy Enterprise”. The official of Daugavpils Town Council as reward accepted bribes of different amounts depending on particular procurement: for each ton of purchased mazut, used oil and bitumen. The total amount of accepted bribes thus exceeded Ls 5,000.

Materials of criminal proceedings prove personal interest of the official in procurements carried out by the local government enterprises. Understanding that these financial resources were acquired in a criminal way and with the purpose to conceal their criminal origin, the executive director of Daugavpils Town Council laundered these financial resources by purchasing expensive household appliances.

Evidences obtained in the course of investigation witness that the official of Daugavpils Town Council, for lucrative purpose and in contravention of procedure established by law, deliberately organized fictive tenders disadvantageous for the local government, thus violating provisions of the Law on Procurements for the Needs of the State and Local Governments aimed at openness of the procurement procedure, free competition between the tenderers, equal and fair attitude towards them, as well as efficient use of funds of a local government. Goods necessary for Daugavpils local government enterprises were purchased at artificially increased prices, not ensuring equal attitude towards sellers of the goods and restricting their free competition.

Pretrial investigation proved that the executive director of Daugavpils Town Council agreed with the interested persons about those companies which should participate in tenders, estimated bids in order to ensure awarding of contracts for particular companies, the content of a contract which might include increase of prices disadvantageous for the local government enterprises.

The criminal case was initiated on 28 February 2005 for using official position in bad faith and laundering of the proceeds from crime. However, in the course of additional investigation the actions of the official were re-qualified. Investigator of the Bureau asked to hold the executive director of Daugavpils Town Council criminal liability for accepting bribe under especially aggravating circumstances and laundering of the proceeds from crime under aggravating circumstances (**Criminal Law, Section 320, Paragraph 3 and Section 195, Paragraph 2**).

Materials of criminal proceedings against two former officials of Rušonas Parish Council were forwarded to the prosecution office of Preiļi District **on 9 October 2006** with the request to initiate criminal prosecution for using official position in bad faith.

On 24 October 2006 investigator of the State Revenue Service (SRS) Finance Police was recognized a suspect during pretrial investigation in criminal proceedings initiated by the Bureau in connection with bribery.

Materials of criminal proceedings prove that in September 2006 investigator of Vidzemes Regional Division of SRS Finance Police demanded a bribe in the amount of Ls 1,500 from a businessman from Gulbene for adoption of favourable procedural decision, and namely, for refusal to initiate criminal proceedings.

Investigator of the Bureau recognized the investigator of Financial Police a suspect according to allegations of having committed a criminal action provided in the **Criminal Law, Section 320, Paragraph 2 and Section 15, Paragraph 4**, that is, the attempt of bribery under circumstances aggravating responsibility.

Suspected investigator of Financial Police is also prohibited to perform particular activities and temporary he is not allowed to perform official duties. The status of a suspect was also applied to the intermediary.

24 October 2006, in the course of pretrial investigation in criminal proceedings initiated by the Bureau in connection with bribery, an investigator of the State Revenue Service (SRS) Financial Police was acknowledged to be suspect.

Materials of criminal proceedings witness that the investigator of Vidzemes Regional Division of SRS Financial Police in September 2006 demanded a bribe in the amount of Ls 1,500 from a businessman from Gulbene for adoption of procedural decision favourable for the latter, and namely, for refusal to initiate criminal proceedings.

Investigator of the Bureau declared the investigator of Financial Police a suspect in commitment of a criminal action provided in the **Criminal Law, Section 320, Paragraph 2 and Section 15, Paragraph 4**, that is, the attempt of bribery under responsibility aggravating circumstances.

Investigator of the Bureau applied to the suspected investigator of Financial Police a measure of restriction: prohibition of particular activity, and namely, temporary prohibition to fulfil the office duties. The status of a suspect was also applied to the intermediary.

On 30 October 2006 materials of criminal proceedings against an accountant of Political Organizations Association (POA) "Dzimtene" on forgery of payment documents were sent to the Extremely Significant Cases Investigation Division of the General Prosecutor's Office for commencement of criminal prosecution. In the course of verification of lawfulness of donations received in 2005, the Bureau ascertained that two persons have not actually donated financial resources to POA "Dzimtene". Pretrial investigation established that signatures on payment orders belong not to persons of which identification data was used.

Pretrial investigation ascertained that more donations had been made contrary to the Law on Financing of Political Organizations (parties), not observing therein specified procedure for acceptance of cash donations and using the intermediation of other person.

Pretrial investigation ascertained that in said cases the forged bank documents about donations made on behalf of other persons had been executed and signed by the accountant of POA "Dzimtene", having no authorization from the corresponding persons and using their identification data.

Said actions resulted in violation of prohibition to finance political parties through intermediation of third persons as provided in Section 6, Paragraph 3 of the Law on Financing of Political Organizations (Parties). The intermediation is considered as cases when, realizing own personal interests to finance a political party, the identification data of other person are used or when a donation is made to a political party through intermediation of other person.

The accountant of POA was recognized as a suspect and it was initiated to start criminal prosecution according to the **Criminal Law, Section 275, Paragraph 2 (Forgery of a Document, Seal or Stamp and Use or Sale of a Forged Document, Seal or Stamp)** and **Section 288² (Financing of Political Organisations (Parties) Utilising Intermediaries)**.

On 1 December 2006 materials of criminal proceedings against an inspector of Riga City Central Police Administration (GPP) for instigating a person to give a bribe and misappropriation of the bribe were sent to the Prosecution office for commencement of criminal prosecution.

Within the framework of criminal proceedings initiated on 21 October 2006 it was ascertained that the inspector of 1st Police Station of GPP, using the trust of persons in him as a public official – a police officer, has obtained an information on criminal proceedings initiated in SRS Customs Criminal Department on possibly unlawful actions of B.

Materials of criminal proceedings show that in order to misappropriate the money the police officer had numerous times induced B. to give a bribe to public officials for possibly favourable result of the criminal proceedings and then had misappropriated the money in the amount of Ls 260, which had been accepted as a bribe for giving to officers of SRS Customs Criminal Department.

The materials of the criminal proceedings were forwarded to the Prosecution office of Riga Court Region and proposed calling the suspected police officer to criminal liability for instigation to bribery under responsibility aggravating circumstances and misappropriation of a bribe under responsibility aggravating circumstances according to the **Criminal Law, Section 321, Paragraph 2, Section 323, Paragraph 2 and Section 20, Paragraph 3.**

On 4 December 2006 materials of criminal proceedings against an official of Jūrmala City Council for failure to act in connection with granting of residential space and transfer of the corresponding real estate for privatization contrary to procedure provided by law were sent to Jūrmala City Prosecution office for commencement of criminal prosecution.

Materials of criminal proceedings witness that the official through own negligence has not fulfilled his duties, and namely, knowing that more immovable properties of the local government were rented out to persons contrary to procedure provided by law, said official allowed also privatization of immovable property in contrast with requirements of law. Thus, the official did not take actions he had to take according to law and thereby has caused damages to the local government.

On December 2006 materials of criminal proceedings against a person in connection with giving a bribe in the amount of Ls 360 to a officer of the Forced and Public Labour Division of Riga Territorial Unit of the State Probation Service were sent to the Prosecution office of Central District for commencement of criminal prosecution.

Materials of criminal proceedings witness that a convicted person offered a bribe in order to not execute a punishment of the court judgment: 200 hours of forced labour. After giving of the bribe on 7 November 2006 the person was detained.

Bureau proposed holding the suspected person criminally liable according to the **Criminal Law, Section 323 (Giving of Bribes), Paragraph 1.**

On 15 December 2006 materials of criminal proceedings against an officer of the Office of Citizenship and Migration Affairs (hereinafter referred to as PMLP) for extortion of a bribe in connection with issue of a permanent residence permit to a citizen of the Russian Federation were sent to the Extremely Significant Cases Investigation Division of the General Prosecutor's Office for commencement of criminal prosecution.

Pretrial investigation ascertained that the officer of PMLP of Ventspils and District Division, being a public official and using her official position, demanded an unlawful compensation in the amount of Ls 400 for execution of necessary documents and issue of permanent residence permit.

Bureau proposed to commence criminal prosecution according to the **Criminal Law, Section 320, Paragraph 3**, which is for accepting a bribe associated with extortion of a bribe.

On 15 December 2006 materials of criminal proceedings against two officials of Central Administration of the State Border Guard (hereinafter referred to as VRS GP) for accepting bribes in connection with procurements were sent to the Prosecution office for commencement of criminal prosecution. Commencement of criminal prosecution was requested also against another four persons: one for giving of a bribe and three for support of bribery.

Evidences acquired within the framework of criminal proceedings initiated on 25 September 2006 give a sufficient ground to consider that the Head of VRS GP Supply Service, being a

public official and the chairman of procurement commission, used his official position and starting from October 2003 till September 2006 in a group with other official - the inspector of Supply Service, carried out previously coordinated and deliberate actions associated with demanding and accepting bribes from businessmen.

Materials of criminal proceedings witness that bribes were demanded in order enterprises that have won in the procurement tenders would further successfully collaborate with VRS GP, and namely, supply the household goods, stationery, perform vehicle servicing and, possibly, new contracts would be made with these enterprises in the future.

Pretrial investigation ascertained that the owners of the enterprises had to pay a bribe in the amount of 10% from the contracts' concluded by VRS GP. During a long period of time both officials have received bribes in total amount more than Ls 3,800 from the businessmen for services provided by their companies for the needs of VRS GP.

The Bureau forwarded the materials of criminal proceedings to the Extremely Significant Cases Investigation Division of the General Prosecutor's Office and proposed commencing criminal prosecution against both suspected officials according to the **Criminal Law, Section 320, Paragraph 3** (*Accepting Bribes under Especially Aggravating Circumstances*), against one private person suspected in support to accepting bribes under aggravating circumstances according to **Section 320, Paragraph 2** and **Section 20, Paragraph 4**, against one businessman suspected in giving bribes under aggravating circumstances according to **Section 323, Paragraph 2**, and against two private persons suspected in support to giving bribes according to **Section 323, Paragraph 2** and **Section 20, Paragraph 4**.

On 21 December 2006 materials of criminal proceedings against a physician of Jelgava Hospital for knowingly unlawful demanding and accepting a benefit were sent to Jelgava Town Prosecution office for commencement of criminal prosecution.

Information acquired within the framework of criminal proceedings initiated on 8 November 2006 gives a sufficient reason to consider that the physician of Jelgava Hospital, using his official position in bad faith, knowingly unlawfully demanded and accepted from a patient Ls 100 for performing a surgery.

Bureau proposed to commence criminal prosecution according to the **Section 326²** (*Illegal Requesting and Receiving of Benefits*), **Paragraph 1 of the Criminal Law**.

On 29 December 2006 materials of criminal proceedings against a judge of Riga City Vidzemes District Court for accepting bribes under especially aggravating circumstances according to the **Criminal Law, Section 320, Paragraph 3**, and against another two persons, among them one sworn bailiff, for actions provided in the **Criminal Law, Section 323** (*Giving of Bribes*), **Paragraph 1 and Paragraph 2** were sent to the Extremely Significant Cases Investigation Division of the General Prosecutor's Office for commencement of criminal prosecution.

Materials of criminal proceedings points to more individual cases of bribery. The gathered evidences give a sufficient reason to consider that the judge had to ensure taking decisions in civil cases in the interests of the bribe givers.

On 29 December 2006 materials of criminal proceedings against chairman of Riga City Vidzemes District Court for accepting bribes under especially aggravating circumstances according to the **Criminal Law, Section 320 Paragraph 3**, and against a private person provided in the **Criminal Law, Section 323** (*Giving of Bribes*), **Paragraph 1** were sent to the Extremely Significant Cases Investigation Division of the General Prosecutor's Office for commencement of criminal prosecution. Evidences obtained in the course of criminal proceedings witness that the judge had to ensure taking decisions in civil cases in the interests of the briber.

International Cooperation and Exchange of Experience

With the purpose to further Latvia's participation in **OECD** (*Organisation for Economic Co-operation and Development*) **Working Group against Bribery in International Business Transactions** and joining OECD Convention on Fight against Bribery of Foreign Officials in International Business Transactions, more activities were held in 2006 in collaboration with the Ministry of Foreign Affairs.

In order to get acquainted with the experience of **Slovenia** when joining **OECD** Working Group and Convention, in January 2006 the Bureau's representative took part in consultative meeting (in Ljubljana, Slovenia) with representatives of Slovenian Ministry of Foreign Affairs and Anticorruption Bureau. In May 2006 the Bureau's representative met with a representative and delegate to the Working Group from the **Netherlands** Ministry of Foreign Affairs. On 13 June 2006 the Director of the Bureau met with the delegates to the Working Group from US, Greece and Sweden and representatives of OECD Secretariat.

On 31 March 2006 the Bureau held a meeting of the **Foreign Advisory Panel** in order to inform representatives of foreign embassies and international organizations on the results of the Bureau's activity in 2005: the detected corruptive crimes, results of control of activities of public officials and financing of political parties as well as to acquaint with further work plans and priorities.

During the meeting, main achievements and typical problems were also discussed associated with implementation of tasks set out in the National Programme for 2004 – 2008.

Foreign representatives were interested in legal initiatives initiated by the Bureau, especially for reduction of corruption risks, for example, in the area of lease of property of the State and local governments and prevention of conflict of interest in this regard. Attention was paid to a court practice in criminal cases initiated by the Bureau since mostly persons who are pleaded guilty are given suspended sentences. Participants of the meeting also wished to obtain explanations about conditions of making public the materials of criminal cases and problems of institutional independence of the Bureau.

In October 2006 the Bureau's representative in Berlin met with representatives of Ministries of Foreign Affairs, Justice and Economics of **Germany** in order to inform about achievements of Latvia in the sphere of legislation and its application aimed to joining OECD Working Group and Convention.

Realizing an agreement on cooperation concluded by the Bureau with the **Special Investigation Service of Lithuania** (*Specialiuju tyrimu tarnyba*, hereinafter referred to as STT), in 2006 several experience exchange visits of took place. In April 2006 the Bureau was visited by STT representatives with the purpose to discuss creation of European Anticorruption Network and get to know about the Bureau's experience and results in control of political parties financing. During their return visit to Lithuania the representatives of the Bureau Division of Control of Political Parties Financing performed a presentation about legal regulation and possibilities of its implementation in this field in Latvia.

On 13 November 2006 the Bureau's representatives have acquainted themselves with the experience of the Commission of High Services Ethics (*Vyriausioji tarnybinės etikos komisija*) and the Tax Administration of Lithuania in the field of verification of declarations of public officials and experience of STT in analysis of criminal activities, operational activities, and receipt of reports and in other spheres.

In 2006 the Bureau's representatives participated in meetings of **EU Council Multidisciplinary Working Group on Organised Crime** (hereinafter referred to as MDG) where a Council's decision project was considered about creation of European Anti-Corruption Network. The Bureau conceptually supported establishment of anticorruption network since it would be an important evidence of common political will of EU countries to fight against corruption. Position of Latvia developed by the Bureau was rejecting in relation

to several issues, including provision of the secretariat at the expense of contributions made by the participating countries. The draft decision has been essentially revised in accordance with the comments submitted by Latvia and other countries. Discussions on creation of the network continued in MDG till the end of 2006.

In response to invitation received from the General Prosecutor Office of the People's Republic of China, the Director of the Bureau in April participated in informal consultations on **creation of international association of anticorruption institutions**. The consultations were held in Vienna (Austria) and participated by officials from France, Great Britain, Germany, US, Japan and other countries.

In October of 2006 at the initiative of the General Prosecutor's Office of the People's Republic of China in Peking (China) there was held a foundation conference of **International Association of Anti-Corruption Authorities** where also Director of the Bureau participated. One of goals of the Association activities is to promote implementation of UN Convention Against Corruption, therefore a big attention at the conference was paid to the problems of assessment of the Convention implementation efficiency, regaining of assets obtained in corruptive criminal offences and technical support to the countries for promotion of implementation of the Convention.

In December 2006 the Director of the Bureau together with representatives of the Ministry of Foreign Affairs took part in **1st Conference of the States Parties to the UN Convention Against Corruption** in Jordan. UN Convention Against Corruption is in force in Latvia since 1 December 2005 and the Bureau is responsible for coordination of implementation of the Convention in Latvia. Within the framework of the conference Mr Aleksejs Loskutovs took part in the Forum of Anticorruption Authorities and presented the role of the Bureau in the anti-corruption system in Latvia.

The Deputy Director of the Bureau Juta Striķe took part in annual conference of the initiative of the National Police Monitoring & Inspection Bodies and Anti-Corruption Agencies of EU countries "**European Partners Against Corruption**" (hereinafter referred to as EPAC) held in Budapest, Hungary, and dedicated to strengthening of cooperation and information exchange on anti-corruption issues.

Representatives of the Bureau are participating in EPAC since 2004 (including conferences in Vienna in 2004 and in Lisbon in 2005). As a result of the conferences, representatives of Latvia and Lithuania agreed to lead a working group on common standards and good practice of anticorruption authorities.

The Deputy Director of the Bureau and two Bureau specialists on prevention of conflict of interest and control of political parties financing have participated at the conference "**Corruption and Democracy**" organized by the Council of Europe in Strasbourg (France).

Within the reporting period the Bureau continued representing Latvia in the European Council **Group of States Against Corruption** (GRECO), having participated in its plenary sessions that took place 19 to 23 June, 9 to 13 October and 4 to 8 December. Within this time period Latvia was chosen as one of evaluator countries together with Greece and Germany for GRECO's 2nd Round Evaluation of Georgia, where also a prosecutor of the Prosecutor General Office of the Republic of Latvia took part.

The Bureau's experience in corruption prevention and combating is highly appreciated in countries where anticorruption institutions are not yet established or have started operating recently. In December 2006 the Bureau was visited by representatives of **Kyrgyzstan National Corruption Prevention Agency** in order to get acquainted with the Bureau's experience in corruption prevention and combating. Representatives of Kyrgyzstan met also with representatives of SRS, State Administration School and non-government organizations. During the visit, representatives of Kyrgyzstan expressed a wish to conclude an agreement of cooperation with the Bureau. After the visit the cooperation continued, giving consultations on draft laws on anticorruption issues in Kyrgyzstan.

The Bureau Staff

At the beginning of 2006 the Bureau staff consisted of 123 members (103 officials and 20 employees), at the end of the year – 133 members (112 officials and 21 employees). In total, 148 staff positions were in the Bureau in 2006. In 2006 in the Bureau **13** officials were appointed to a position and **2** employees were hired, 4 officials and 1 employee were dismissed. On 31 December 2006 the Bureau staff consisted of **133** members, **6** members were on a maternity leave; **2** officials were appointed to a position for the time of absence of a staff member and **17** staff positions were vacant.

Table 1. Staff distribution by positions

Position	2003	2004	2005	2006
Head of institution	1	1	1	1
Deputy heads of institution	2	2	2	2
Heads of divisions and their deputies	18	17	17	20
Investigators, chief specialists and specialists	90	92	103	110
Total	111	112	123	133

Table 2. Number of staff positions and their status in 2006

Staff position	Number of filled in staff positions	Number of vacant staff positions
Head	1	0
Deputy head	2	0
Head of division	17	0
Deputy head of division	3	1
Investigator	14 (1 temporary)	5
Chief specialist	88 (1 temporary)	9
Specialist	8	2
Total	133	17

Table 3. Status of staff positions according to the functions of the Bureau (on 31 December 2006)

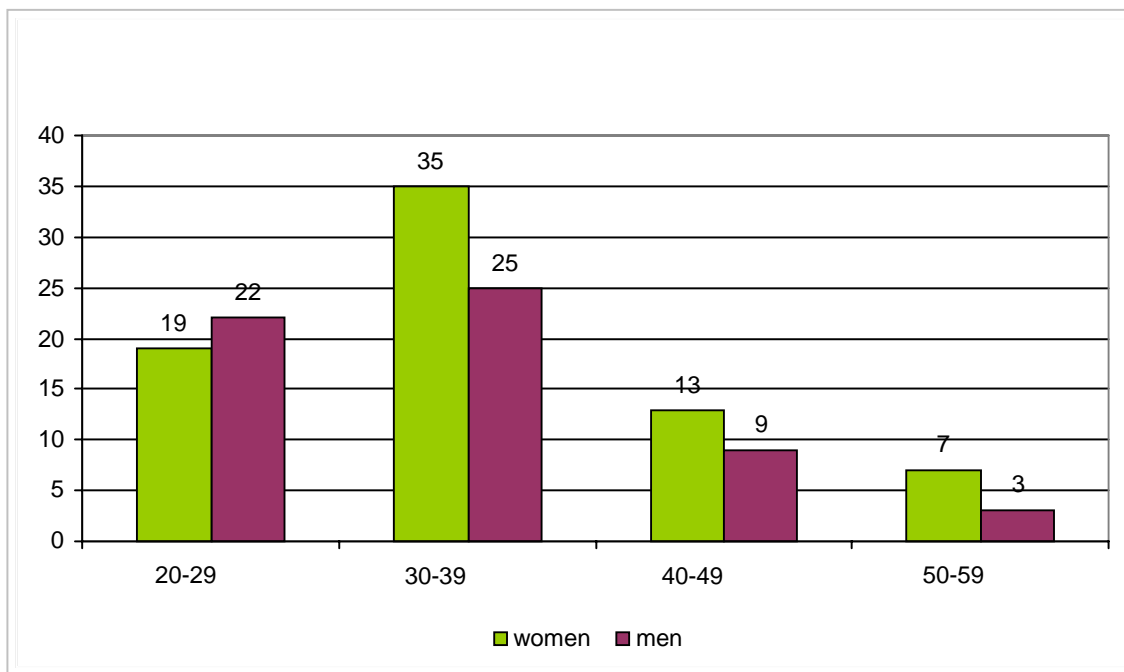
Activity	Staff positions	Filled in staff positions	Vacant staff positions
Management	6	5	1
Corruption combating	57	51 (1 temporary)	7
Corruption prevention	40	33	7
Administration	42	41 (1 temporary)	2
Report Centre	3	3	0
Total	148	133	17

The Bureau staff rotation ratio ¹ in 2006 was 0.15.

At the end of 2006 the staff consisted of 59 men (44%) and 74 women (56%). Average age of the Bureau staff compared to previous year remained unchanged: 34.

¹ Staff rotation ratio = (number of hired + number of dismissed)/average number of persons

Chart 14. Distribution of the Bureau staff by gender and age

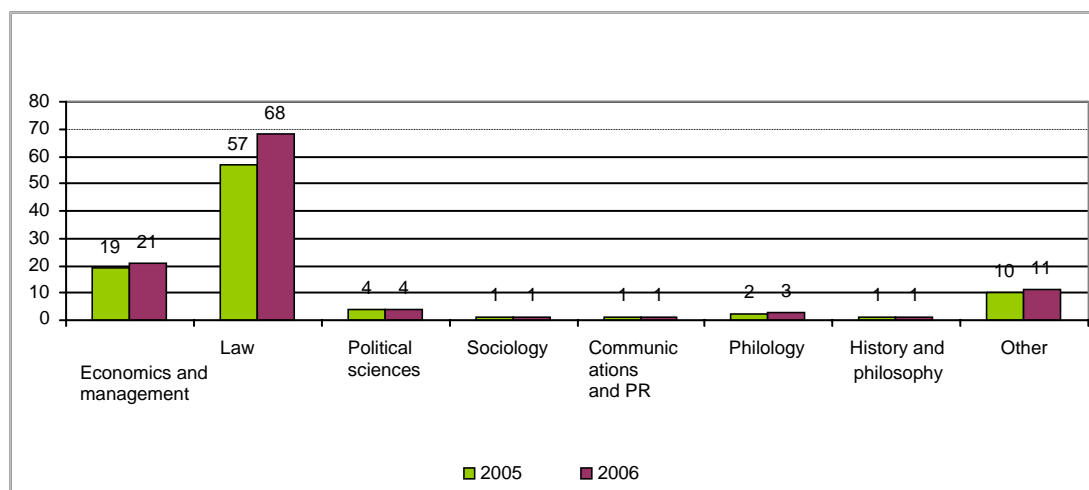


Improvement of the Bureau Staff Qualification

At the end of 2006 the Bureau staff consisted of 111 (83.5%) members with higher education, 10 (7.5%) members with secondary or special secondary education, 12 (9%) staff members continue studies at higher education establishments.

67 staff members of the Bureau have obtained a professional higher education, 6 – the bachelor’s degree, 36 – the master’s degree and 1 – the doctor’s degree.

Chart 14. Areas of the Bureau Staff Education



In second half of 2006 the Bureau staff members improved their qualification in the following fields:

Legal issues, including application of norms of the Public Procurement Law

- officers of the Division of Control of Actions of Public Officials, the Division of Corruption Analysis and Countermeasures Methodology and the Investigation Division participated in a seminar on land reform problems.
- 10 officers of the Bureau participated in a seminar on the Public Procurement Law.
- 2 representatives of the Legal Division participated in seminar “E-signature in Latvia”.
- In May a seminar on problems and practice of application of the Public Procurement Law was attended by 6 officers of the Division of Control of Actions of Public Officials, 1 officer of the Legal Division and 1 officer of the Administrative Division, seminar on procurement of computer hardware was attended by 4 officers of the Bureau.
- 4 officers of the Legal Division participated in the seminar “Actual problems of administrative process and their solutions in the practice of the Senate Department of Administrative Cases”.
- Chief specialist of the Administrative Division and chief specialist of the Legal Division participated in seminar “Procurement from 1,000 to 10,000 lats: problems and perspectives”.
- Seminar on current issues of the Labour Law application was attended by two officers of the Legal Division and one officer of the Personnel Division.
- 17 officers of the Corruption Combating Branch participated in a seminar on current issues in application of the Criminal Procedure Law.
- The seminar on current issues of personal data processing was organized for all staff members of the Bureau. The seminar was conducted by the Director of the Data State Inspectorate Mrs. Signe Plūmiņa.
- Chief specialist of the Legal Division participated in seminar “Preparation, conclusion and management of a procurement contract and of a general agreement”.

Communication

- In first half of 2006 two officers of the Bureau participated at four modules of programme “Professional Public Relations” organised by SIA Komunikāciju akadēmija [Academy of Communications]: “Theory and practice of professional public relations”, “Process of corporative communication”, “Crisis Management” and “Organization of PR events”.
- 3 officers of the Bureau participated at the lecture “Journalism and style”, as well as participated in seminar “Protocol and etiquette” organized by SIA Komunikāciju akadēmija [Academy of Communications].
- In accordance with a contract on staff training with SIA Triviums apmācība, 10 officers of the Bureau participated in seminar “Skills to speak and appear in public”.
- Head of the Division of Public Relations and Education attended the lecture “How to “play” public relations in line with law” organized by SIA Komunikāciju akadēmija
- One-day seminar “The skills of convincing presentation” was held for ten officers of the Bureau.

Management

- In April 2006 two-day seminar “The skills to manage employees” was held in accordance with a contract on staff training made on 6 April 2006 between the Bureau and SIA Komercizglītības centrs [Commercial Education Centre].

Finance and accounting

- During the first half of 2006 officers of the Financial Division participated in seminars on accountancy of capital assets of state budget institutions within the framework of improvement of accountants' qualification programme organized by the Latvian Association of Sworn Auditors.

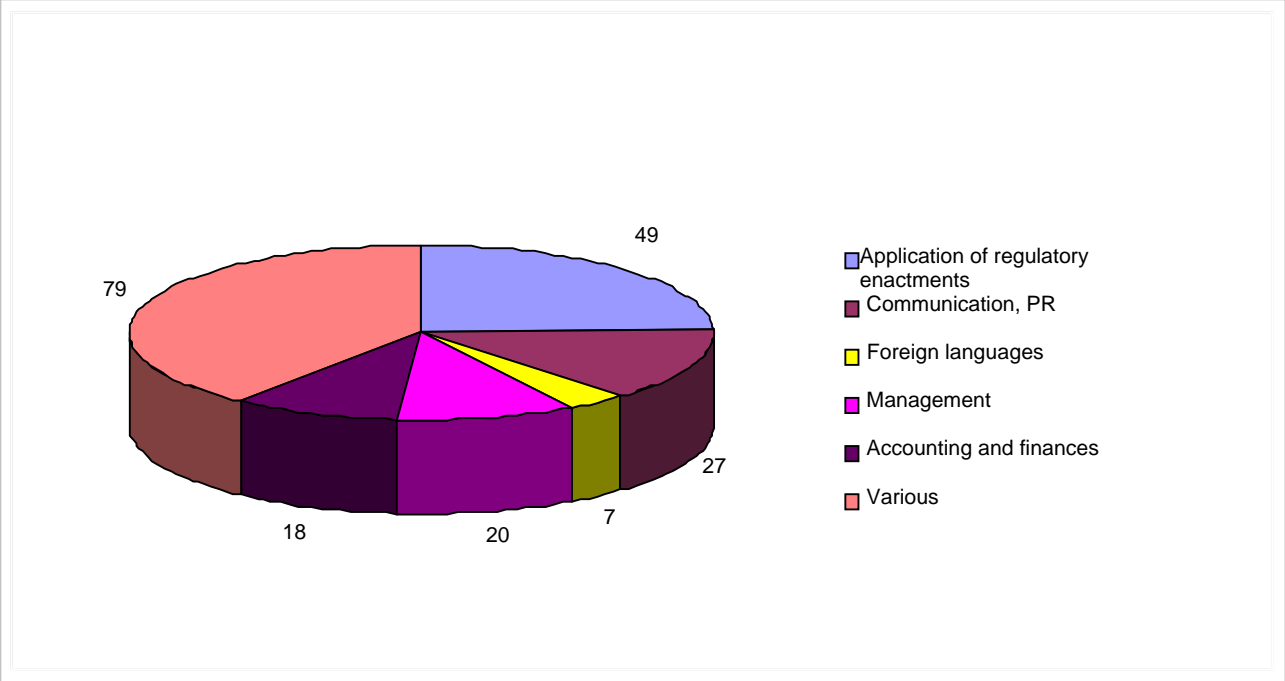
Foreign languages

- 5 officers of the Bureau improved their knowledge of English in 2006, using services of various education companies.
- Two officers of the Bureau studied French at the French Culture Centre.

Various topics

- 10 officers of the Bureau participated in the seminar on the management information system of EU structural funds organized by the Ministry of Finance.
- Seminar on current fire safety issues was held for the Bureau staff members.
- Head and two chief specialists of the Division of Control of Actions of Public Officials participated in seminar “How receive money from the European Structural funds”.
- Head and chief specialist of the Division of Corruption Analysis and Countermeasures Methodology” attended the programme “A quality management specialist in the public sector”.
- In relation with the launch of the Bureau’s Integrated Information System, its staff members participated in training intended for work with the system.
- 7 officers of the Bureau participated in seminar “How to get on with electronic signature and how to use it successfully”.
- Several studies were held for officers of the Bureau within the framework of EU *PHARE* project.

Chart 16. Number of officers of the Bureau who participated in training: distribution by training topics



Budget Information

State Budget Allocation and Expenditures in 2006

No.	Financial resources	Year 2005 (actual spending)	2006 (lats)	
			approved by law (allocations)	actual spending
1.	Financial resources for covering of expenses (total)	2,423,032	3,201,562	3,165,776
1.1.	subsidies	2,143,577	2,623,616	2,623,616
1.2.	paid services and other own proceeds	-	-	-
1.3.	foreign financial aid	279,455	577,946	542,160
2.	Expenses (total)	2,408 380	3201,562	3,160,224
2.1.	maintenance expenses (total)	1,995,697	2,563,742	2,540,876
2.1.1.	subsidies and endowments, including payments to international organizations	4,027	4,519	4,519
2.1.2.	other maintenance expenses	1,991,670	2,559,223	2,536,357
2.2.	expenses for capital investments	412,683	637,820	619,348

Financial resources used by the Bureau in 2006 amounted to 3,160,200 lats, which is by 31% more than in previous year and it is associated with implementation of the EU *PHARE* project “Strengthening and Development of the Corruption Preventing and Combating Bureau” as well as allocation of additional subsidies from general proceeds for provision of the Bureau activities. On 30 November 2006 the Project 2003/004-979-01-03 “Strengthening and Development of the Corruption Preventing and Combating Bureau within the Framework of *PHARE* 2003 National programme for Latvia” was accomplished. The final payments for the purchase of computer hardware, analytical software and communication equipment were made, as well as the advance payment for the last round of integrated information system’s and local database’s development was executed.

Results of Projects financed by Foreign and International Organisations and Applications for Funds

Implementation of the European Union *PHARE* project “Strengthening and Development of the Corruption Preventing and Combating Bureau”

In autumn 2006 the work was completed on implementation of the EU *PHARE* project “Strengthening and Development of the Corruption Preventing and Combating Bureau”. Total budget of the project was more than EUR 1.3 million and within its framework the Bureau has made 15 contracts with various enterprises on purchases or provision of services. Within its framework almost all projected activities were completed in due time and results specified in the project were achieved: international capacity of the Bureau has increased, thus promoting prevention and combating of corruption in Latvia.

Within this project international experts have prepared various reports and based on these reports several training sessions have conducted on such issues as prevention of state capture, control of financing of political parties, use of financial resources and property of the State and local governments, measures of internal control. These educative events were available for participation not only for the Bureau staff members but also for representatives of other state administration authorities. Work of the experts resulted in availability of methodology, guidelines and recommendation on how to educate and inform the society and public officials on problems of corruption and observance of ethical norms, on improvement of control of political parties’ activities and openness of the lobbying process, use of financial resources and property of the State and local governments, EU legislation and practice in this field, as well as on foreign securities markets and offshore companies. These materials are available on the Bureau’s homepage and will further serve for both the Bureau officers and other interested persons as supplementary materials and information sources on different anticorruption policy issues.

Within the framework of the project, there were also developed an **integrated information system and a local database**, which will further provide accumulation of the necessary data in the local database for the needs of the Bureau, as well as using the interface with external information systems will allow faster and more efficient selecting and storing in the Bureau’ system the data from databases of the Ministry of the Interior, State Revenue Service, Department of Land Register, Register of Enterprises and other institutions.

During the reporting period, experts’ reports have been received on the following subjects:

- Informing and educating the society on corruption problems and raising the legal awareness. The Bureau was consulted on these problems by SIA “KPMG” and “Hill & Knowlton”. The experts have prepared:
 - assessment of specificity of the Bureau activities and analysis of corruption situation in the country;
 - methodology for informing and educating the society;
 - preparation of a manual with guidelines on various aspects associated with corruption ;
 - recommendations for organization of efficient campaigns on informing and educating the society;
 - scenarios for campaigns on informing particular target groups about corruption aspects.

- Prevention of “state capture”, control of political parties financing and lobbying:

- Study by Derek Purdy “Legal Regulation of Lobbying”. The study gives an assessment of legal acts and recommendations on legal regulation of lobbying in Latvia. On 5 June 2006 the study was presented to the Bureau staff and to the members of an inter-institutional working group that was formed by the Prime Minister’s order and is developing a draft concept for improvement of legal regulation of lobbying in accordance with measures included in the National Programme;
- Report by Michael Pinto-Duschinsky “Aspects of “state capture” and financing of political parties” and reports by Marcin Waleck on possibilities to improve control of political parties financing in Latvia and on direct state financing of the parties. On 12 June 2006 these reports were presented to the Bureau staff and representatives of political parties and mass media. The experts have given recommendations in relation to financing of political parties from the state budget as well as other ways how to reduce “state capture” and improve control of political parties’ activities. Specific proposals have been made on amendments to respective legal acts.



Director of the Bureau Aleksejs Loskutovs (left) and Michael Pinto-Duschinsky

Photo: AFI

- Use of financial resources and property of the State and local governments, mechanisms of internal control, EU legislation and practice:
 - **Reports by Eric Lockyear on internal control and development of anticorruption plans.** The reports give an analysis of legal acts in relation to internal anticorruption control systems of the State and local governments. Based on this study, the expert has developed the guidelines for improvement of internal anticorruption control, prevention of conflict of interest in public institutions and examination of actions taken by officials. The expert has prepared also guidelines for provision of internal control in the field of procurement. Finally, *E. Lockyear* has presented his report at two training courses organized by the Bureau on assessment of corruption risks and planning of anticorruption measures for heads of the Bureau structural divisions and other authorities of state administration, including the Rural Support Service, Health Obligatory Insurance State Agency, Ministries of Interior, Economics, Culture, Defense and Health, Road Traffic Safety Directorate and State Revenue Service.

- **Report by Casper Schmidt and Soren Nielsen on use of financial resources and property of the State and local governments and EU practice in relation to procurements.** In addition, these experts have summarized the practice of Denmark, Ireland, Poland and Germany in relation to state procurements, lease, alienation, squandering of property of the State and local governments and calling officials to responsibility in connection with violations of the procurement procedure. At seminar held on 21 June 2006 the experts presented their work to representatives of the Bureau and Central Procurement Supervision Bureau, Central Finance and Contract Agency, State Control, Constitutional Court, Ministry of Finance and Rural Support Service.

In June, within the framework of EU *PHARE* project the Bureau organized **training for the Bureau staff members on operations at foreign securities markets and possibility of control over them.** The training was conducted by home expert Anete Pajuste who also developed the teaching material “Foreign securities markets” for the needs of the Bureau.

In June, within the framework EU *PHARE* project there was organized **training for the Bureau staff members on transactions with offshore companies and possibilities to control such operations,** which was conducted by *Andrea di Nicola* from *Transcrime* Italian Research Centre. *Transcrime* has produced for the Bureau staff a manual: “*Offshore Financial Centres and Corruption: a Toolkit for KNAB investigators*”.

All above-mentioned materials developed by the experts are available on the Bureau’s homepage in both Latvian and English languages.

Realizing the EU *PHARE* project, training studies were organized during the reporting period also on the work with the acquired analytical software as well as with special investigatory equipment acquired for account of *PHARE* funds.

Within the framework of EU financial instrument, the Transition Programme project No. 004/006-245-06-02 “Assessment of Measures Financed by the European Union”, SIA “Konsorts” has developed a report on assessment for the interim phase of *PHARE*/Transition Programme, which also gives an assessment of a project implemented by the Bureau. The report notes that the results of the project are evaluable as an important contribution to the increase in institutional capacity of the Bureau and provision of its efficient activity in the future. The significance of the project has been assessed in this report as “excellent”.

Implementation of the World Bank’s Project “Strengthening of the Institutions Involved in Corruption Combating”

In 2006 the Bureau continued implementation of the World Bank’s Project “Strengthening of the Institutions Involved in Corruption Combating” and during the reporting period two contracts of services were made on fulfilment of four work tasks. Financing assigned by the World Bank amounts to USD 235,000 while the project has co-financing from the budget funds. In June the work task “**Implementation of Saeima’s [Parliament] Code of Ethics**” has been accomplished. Experts from Great Britain *Alan Doig* and *David Watt* have prepared and delivered two reports on development of a code of ethics and its application practice in parliaments of other countries. The reports were presented to the members of the Parliament and *Alan Doig* informed about purposes of using the codes of ethics and their application in parliaments of other countries, and pointed to fundamental differences between the spheres of codes of ethics and of legal regulation, for example, the force of legal acts on prevention of conflict of interest.



Deputy of the Parliament Jānis Strazdiņš (from left), Deputy Director of the Bureau Jūta Striķe and Deputy of the Parliament Vaira Paeģle talk over the discussion “Implementation of Saeima Code of Ethics”

Photo: AFI

In autumn 2006, implementation of the work task “**Assessment of Legal Regulation of Election Campaign**” has been carried out. An expert from US within the framework of the work task assessed the Bureau’s activity in the field of control of political parties’ financing and acquainted himself with problems associated with involvement of third persons into a process of election campaign, possibilities to identify a covert advertising and perform control of mass media on pre-election stage in Latvia. With the purpose to give a review of experience of other countries in above-mentioned problems, a discussion/presentation was held for Members of the Parliament, representatives of the National Radio and Television Council, and the Bureau, researchers of non-governmental organizations.

In 2006, US enterprise “IBTCI” has implemented the work task “**Strengthening of Capacity of Corruption Prevention and Combating Bureau**”. Within the period from May to October three advisers worked in the Bureau: on improvement of control over income of officials and natural persons, on introduction of internal anticorruption measures in the State and local government authorities, and on problems of corruption prevention in public procurement. The work of all experts resulted in delivery of extensive reports on the study of the action of legal acts and institutions in Latvia, experience of other countries in the respective problems and recommendations for improvement of the present situation. Presentations and discussions on each of above-mentioned subjects were organized for the Bureau officers and representatives of other institutions.

OLAF Technical Support

In 2006 the Bureau has prepared and submitted an application for obtaining of a technical support within the framework of *Hercule* Programme of the European Anti-Fraud Office (OLAF), which provides for law-enforcement bodies of EU countries a possibility to acquire special investigative equipment that would help detecting criminal offences, such as corruption and fraud. OLAF Evaluation Commission has approved the application prepared and submitted by the Bureau for obtaining of a technical support within the framework of *Hercule* Programme and assigned a co-financing in the amount of EUR 32,000. Acquisition of such equipment will essentially contribute the implementation by the Bureau of anti-corruption policy and will increase the Bureau operational capacity for successful implementation of special investigatory measures and investigate criminal offences associated with corruption.

Improvement of Efficiency of Internal Control System

In order to ensure efficient and purposeful activity of institutions, the internal control systems are established, maintained and supervised. For assessment of activity of these systems, the internal audit is introduced in the State administration, of which basic operation principles are specified in the Internal Audit Law. In accordance with this Law and the Prime Minister Order No. 223 of 15 May 2003 “Amendments to the Order of the Prime Minister No. 57 of 11 February 2003 “On Internal Audit System in Institutions Directly Subordinated to Prime Minister””, Paragraph 2, the Internal Audit Division has been established in the Bureau with the purpose to carry out the audit in an institution.

In accordance with strategic and annual schedules worked out by the Internal Audit Division, the following systems of the Bureau were audited within the reporting period: Financial Management, Information Technology, Policy and Administration of the Bureau, and specific systems of the Bureau.

Systems audited by the Internal Audit Division in 2006

<i>Ord. No.</i>	<i>Audited system</i>	<i>Number of internal audits</i>
1.	General administration and management	1
2.	Financial management	1
3.	Staff management	1
4.	Protection of natural persons data	1
5.	Public procurement	1
6.	Specific systems of the Bureau	1
	Total internal audits:	6

Based on the obtained information, we can conclude that in general the internal audit system in the Bureau has been created, is maintained and improved, though at certain stages the internal control procedures may be improved more.

Inadequacies established during the audit are eliminated as recommendations of the audit for improvement of the internal control system, which are approved by Director of the Bureau, foresaw.

23 recommendations have been accomplished in 2006, of which 11 were of high importance degree, 10 – of middle and 2 – of low importance degree. Recommendations worked out in the course of audits for improvement of internal control procedures are coordinated with heads of the audited systems and with the Bureau management.

In the reporting year the Internal Audit Division has delivered consultations on problems of the internal control system.

The Internal Audit Division has carried out five audits in accordance with the schedule for 2006 and accomplished one audit started in the previous year. Reports on the performed audits were submitted and they reflected most important recommendations, as well as they specified deadlines for implementation and indicated responsible persons. In the course of internal audits carried out in various systems of the Bureau the following most essential recommendations have been made:

- system “General administration and management”:
 - Consider a possibility of acquiring a specialized computer software module “Staff Time Board”, thus facilitating the monthly work of heads of division;
 - Carry out administration of the Legal Acts System by introduction of new documents, editing and archiving of the existing ones;
- system “Financial management”:

- Improve the section “Business trips in Latvia and to foreign countries” of the Bureau “Work Rules and Regulations” dated 2 June 2003, with detailing of procedure for evaluation of reports about foreign trips;
- system “Protection of natural persons data”:
 - Form a working group for development of methodology for analysis risk in the personal data processing system and for regular performance of risk analysis;
 - Prepare annually a report on measures taken in the sphere of information security;
 - Develop procedure for information restoration in case when technical facilities are damaged and functioning of information system is disturbed;
 - Work out a procedure for use, storage, movement and elimination of data.

Plans for 2007

Prevention of Corruption

Work tasks for 2007 in the field of corruption prevention are harmonized with implementation of measures of the National Programme, therefore these activities are scheduled timely and other involved parties are informed about them. The list of most important measures follows below:

- **Formation of internal anticorruption control system in public institutions and intensification of their anticorruption activity**

This task with its deadline of September 2007 must be fulfilled by all state and local authorities. Responsibility for creation and organization of internal anticorruption control system in an authority is borne by its head, and in accordance with the Cabinet of Ministers Regulations No. 466 “On basic requirements towards establishment of internal control” (issued based on provisions of the Internal Audit Law, Section 5, Paragraph 1) the internal control system shall be established with consideration of the size of an institution and the scope of its functions as well as possible risks associated with each of the functions. Neither the Internal Audit Law nor above-mentioned Regulations of the Cabinet of Ministers contain detailed description of the activity of internal control system. Therefore, in practice, the State and local government authorities often do not understand the essence and necessity of internal control.

There are also cases when representatives of public institutions inform that the internal control system is implemented, but the assessment of the measures accomplished makes concluding that only certain basic elements of the system are in fact implemented: rules and regulations are approved, implementation of the institution action plan is evaluated or individual staff control measures are taken while implementation of individual measures cannot be considered as a general implementation of internal control system in the institution. In order to assess the implementation of a task in public institutions, the Bureau has prepared a questionnaire with general questions about internal control measures directed to corruption prevention. The questionnaire was sent to all the State and local government authorities and their answers will be summarized till the end of 2007.

- **Formation of standards for staff selection and management of human resources**

In accordance with this task, an institution shall have to ensure the openness in staff selection by working out and publishing the selection rules or guidelines, publishing information on vacancies, supervising and verifying the procedures of staff selection. Fulfillment of this task is projected to be assessed after summarization of results of questionnaire mentioned in previous paragraph.

- **Need for legal regulation of lobbying in Latvia**

It is planned that in the first quarter of 2007 a draft concept on legal regulation of lobbying will be developed by the working group and submitted for the State Secretaries meeting for further adoption. The concept would allow ensuring openness in the public decisions making process, as well as it would ensure that these decisions are prepared in the interests of individuals or groups of such persons.

- **Prevention of corruption in the lease of the State and local government property**

In 2007 one of the Bureau's priorities in the sphere of drafting of standard acts is to achieve an inter-institutional agreement on further consideration of the draft law "On Lease of State and Local Government Property" in order to regulate the lease-out procedure and reduce the risks of corruption in this sphere where currently the officials enjoy a great freedom in their actions.

- **Improvement of whistleblowers protection system**

In 2007 a work will be continued on improvement of legal protection of those persons who, basing on ethic, moral or personal motives, inform about unlawful actions carried out within public institutions, which have happened because of the lack of control or also because of participation of the management in such actions. Fulfillment of this task is an essential improvement of the legal protection system.

The working group will have to prepare proposals for the draft law "On Prevention of Conflict of Interest in Activities of Public Officials", which will supplement the law with new legal norms imposing on public officials a duty to immediately inform about conflicts of interest known to them or other corruptive offences where other public officials are involved, as well as will specify the protection of above-mentioned public officials and provide a procedure how an official informs about the conflict of interest. At the same time, new duties and prohibitions are also provided for the heads of the State or local government authorities or their authorized persons or for a collegiate institution, which are associated with legal protection of public officials who inform about conflicts of interest known to them or about other corruptive offences where other public officials or officers are involved.

Control of Public Officials Activities

In the field of control of public officials' activities in 2007 the Bureau will continue controlling the observance of restrictions and prohibitions imposed on public officials as specified in the Law "On Prevention of Conflict of Interest in Activities of Public Officials", paying a special attention to those public officials who participate in distribution of EU financial resources.

The Bureau will also focus a special attention at restrictions imposed on additional employment, i.e. combining of offices of public officials, with the purpose to ascertain whether public officials do not realize their official powers in the conflict of interest situation when combining offices; as well as will focus at restrictions on accepting gifts by public officials in order to establish whether a public official, when accepting gifts beyond the scope of office duties of a public official, has not issued an administrative act or carried out supervision, control, inquiry or punitive functions within two years before and after acceptance of the gift.

Financial Control over Political Parties

In 2007 the Bureau will have to carry out examination of expenditures of the 9th Saeima election campaign and elections, verification of annual declarations and lists of donations for 2006 and inform the society about the results of these verifications and the compliance of financial activity of political parties with requirements of law.

Broad public discussions were caused by the fact that during the parliamentary election campaign certain persons tried to use unfair methods in order to get around restrictions on

pre-election expenses established by law. Therefore still a problem remains on passing a draft law on election campaign.

Possibilities should be assessed for introduction of financing of political parties from the state budget, which would reduce making political decisions in the interests of sponsors of political parties. The National Programme provides that a draft document should be submitted to the Cabinet of Ministers till January 2008.

In 2008 the Law on Financing of Electors Associations will come into effect and will be controlled and supervised by the Bureau, therefore arrangements should be made for performance of this function.

The Bureau considers that it is necessary to make respective amendments to the Criminal Law and the Administrative Violations Code, providing also the administrative liability for persons donating to political parties, as well as providing the criminal liability for actions associated with violations of financing of political parties if committed on a large scale. Presently only administrative responsibility is provided for violations of the Law on Financing of Political Organizations (Parties) regardless of amount of the gift (donation) while the Criminal Law only provides liability for financing of parties with the use of intermediation.

The Bureau considers that in the sphere of financing of political parties the criminal liability should be provided also for other offences associated with financing of political parties, and namely, for illegal financing of political parties at a large scale realized as granting a donation indirectly or through intermediation or donation of financial resources without their transfer to the bank account of a party as well as exceeding of allowed donation amount.

Amendments to the Criminal Law would provide the criminal liability also for persons who have accepted above-mentioned donations as well as for persons who have demanded making illegal financing of a party at a large scale. Amendments prepared by the Bureau provide that a person who has committed unlawful financing of a political party shall be released from criminal liability if after such unlawful financing of a party such person voluntarily reported about that.

Education of the Society

In the sphere of education of the society, it is necessary purposefully to continue working in order to alter public opinion on corruption, create condemning attitude towards it, and prevent involvement of people into corruptive activities. Social advertising campaign “Corruption is the Prostitution of the Entrusted Power” will be started in the first half of 2007. The purpose of the campaign is shaping the public opinion on corruption as an immoral action, creating negative associations and attitude towards it.

In 2007 the Bureau plans to start a cycle of educating seminars for representatives of the State and local government authorities on professional ethics of public officials and prevention of corruption. During the seminars it is planned to demonstrate the “Collection of public administration ethics materials”, a methodical manual prepared by the Bureau for education purposes on problems associated with professional ethics of public officials, prevention of conflict of interest and corruption. It is also planned to use these materials for “train the trainers” type of training.

Education of public officials is mainly planned to be performed in three major directions:

- prevention of conflict of interest and professional ethics of public officials;
- assessment of corruption risks and setting anticorruption measures;
- corruption and its forms, studies, opinion reports, statistics.

In second half of the year the education is planned to be extended, delivering information to other professional groups, such as teachers in social sciences and ethics, university students, journalists and other interested persons.

In the sphere of public relations it is planned to actualize the design and structure of the Bureau's Internet homepage and organize special events celebrating the International Anti-corruption Day on 9 December and 5th anniversary of the Bureau on 10 October.

Corruption Combating

Since the very beginning of existence of the Bureau its unchanging priority in the sphere of corruption combating remains the elimination of corruptive practice in law-enforcement bodies in order a harm would not be done *a priori* to the State and local government structure from the part of those institutions which are imposed by law with a duty to protect lawful interests of persons and the State.

Staff Management

Growing scope of work carried out by the Bureau is accompanied by gradual increase in number of its staff, and another unchanging priority is selection of appropriate specialists to fill vacant positions. From 1 January 2007 the Bureau is planned to have formed the Financial Auditing Division that would provide auditing of the use of financial resources and property in public and local government institutions, as well as it would consider the problem of material damages caused as a result of unlawful actions by public officials and estimate the amount of the damages in monetary expression.

In order to ensure efficient summarization of information and perform operative and strategic analysis according to Measure 17.1 of the National Programme on Prevention, Combating and Reduction of Organized Crime (the Cabinet of Ministers Order No. 390 of 31 May 2006), it is necessary to form a group for operative analysis within the Corruption Combating Branch.

International Cooperation

In 2007 the Bureau will make arrangements for of the **European Council GRECO 3rd** Evaluation Round, which is planned to take place in January 2008 and within this framework an analysis will be made of what Latvia has done in the following two spheres: first, legal regulation, judicial practice and statistics of detected criminal offences related to bribery and trade in influence, and second, control of political parties financing, including the accounting system of parties, supervision, sanctions for violations.

In accordance with decisions taken at 1st Conference of State Parties to the **UN Convention Against Corruption**, in 2007 representatives of the Bureau will participate in working groups of experts where problems will be examined on assessment of the Convention implementation efficiency, technical support for promotion of implementation of the Convention, recovery of assets gained as a result of corruptive offences. Before 2nd Conference of State Parties to the UN Convention against Corruption that is planned to be held in January 2008 in Indonesia, the participating countries till 15 August 2007 will have to submit information on the results of implementation of the Convention in a specially developed questionnaire.

The Bureau will continue to participate in discussions on establishment of European Anti-Corruption Network (Contact-point network against corruption). Most of EU countries give their support to this initiative which foresees creation of a broad network of anticorruption institutions and thus also express a strong and consolidated political support to the fight against corruption.

In 2007 representatives of the Bureau together with representatives of Lithuanian STT will lead the EPAC working group "Standards and good practice of anticorruption authorities". A questionnaire has been developed for summarization of information, which will be sent to anticorruption institutions of 10 EU countries and at the end of 2007 information obtained will be made public.

In 2007 representatives of the Bureau will continue participating in the **Network of Anti-corruption Practicians** (www.anticorruption.undp.sk) created by Bratislava Regional Centre of UN Development Programme.

Plans for 2007 provide to continue establishing bilateral relations and sharing experience on corruption prevention and combating with special anticorruption bodies in other countries. The Bureau plans to conclude an agreement of cooperation with the National Corruption Prevention Agency of Kyrgyzstan. It is planned to develop cooperation with partners in Poland, Romania, France, Moldova as well as Balkan countries. One of priorities for 2007 is sharing experience with transition phase countries and CIS countries, which are undergoing the processes of changes similar to those in Latvia and therefore can take a good use of Latvian experience in the sphere of corruption prevention and combating.

In autumn 2007 it is planned to accomplish implementation of the **World Bank's** project "Strengthening of the Institutions Involved in Corruption Combating". Within the framework of the project in 2007 two activities will be implemented: involvement of non-governmental organizations into anticorruption activities and guidelines for certain groups of officials on prevention of conflict of interest.

In connection with 5th anniversary of the Bureau, an international conference is planned to be held 9 to 10 October 2007 with participation of the Bureau's partners from Latvia and foreign countries.

Improvement of Internal Control

In order to improve the efficiency of internal control in the Bureau, in 2007 seven audits are scheduled to be made in relation to the Bureau's general management and administration, financial management, staff management, administration, information technologies and specific subsystems of the Bureau.