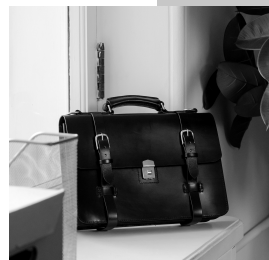


# How to Recognise Corruption

Practical information material with examples and signs of corruption



# Table of contents

**Administrative or everyday corruption**

4-8

**Political or high-level corruption**

9-13

**Corruption in the area of public procurement**

14-18

**Illegal financing of political parties**

19-22

**Action steps if corruption is suspected**

23

# Introduction

Corruption may take various forms. In all cases, corruption is a threat to both the overall well-being of a country and the individual well-being of its citizens. Corruption empties the state budget, wasting taxpayers' money and distributing this capital among a relatively narrow group of individuals.

Society plays an important role in the fight against corruption. Although bribery is mostly done covertly, in many cases co-people may see the characteristics. People may see suspicious coincidences and even signs of possible corruption involving public officials in their workplaces, when meeting people, attending meetings, conducting business, etc.

In order to enhance people's ability to spot the signs that may indicate possible corrupt transactions, the Corruption Prevention and Combating Bureau has prepared an informative material. The material summarises examples and signs of suspicious activities, behaviour or financial transactions that, individually or in aggregate, may indicate possible corruption at the following levels: **administrative or everyday, political or high-level**, as well as in **the area of public procurement and party financing**.

If citizens see signs that public officials may be involved in corruption, the right thing to do is to contact the Corruption Prevention and Combating Bureau immediately, without informing persons under suspicion about their intentions. There are many ways to report, including anonymously.



# Administrative or everyday corruption

Administrative corruption is the action of a public official, aimed at using his official position, his powers or exceeding them, to gain undeserved benefit for himself or to create advantages for another person or a group of persons.

**Administrative corruption most often manifests in situations involving the day-to-day management of citizens' issues and problems.**

Administrative corruption is something that everyone can experience, as it is often individual and non-public, and can manifest itself directly in personal interactions with representatives of state or local government institutions. Members of the public may notice an inexplicable improvement in the standard of living of public officials, as well as individual cases when and in what manner illegally obtained material benefits are spent.

To protect yourself and others, the most important thing is to recognise situations of administrative corruption early and report them to the Corruption Prevention and Combating Bureau. This informative material describes the most common forms of administrative corruption and the signs by which it can be identified.





# Examples and characteristics of administrative or everyday corruption

## *General signs of administrative corruption*

- Special favouritism towards a particular person whose interests are affected by the decision, and the official acts outside or in breach of the established procedure.
- The public official meets discreetly with the natural persons involved in the decision (their representatives, intermediaries).
- The decision taken by the public official is unlawful but favourable to the addressee, and cannot be explained by human error or incompetence on the part of the official.
- A close relationship (friendly, distantly related) between a public official and the person whose rights are affected by the decision.

In addition to the general characteristics, **the following pages provide examples and other additional signs** of the actions of public officials and persons close to them, which may indicate possible administrative corruption.

If you see situations similar to the examples and which are consistent with the signs, the Corruption Prevention and Combating Bureau encourages you to report your suspicions without informing the persons involved in the situation.

# Examples and characteristics of administrative or everyday corruption

## *The first example*

***Providing a patient with a state-funded medical procedure organised by a medical institution in exchange for a gratitude allows circumventing the rules laid down in the legislation and creates advantages.***

## *In addition to the general characteristics*

*A public official or his relatives have a rapidly increasing level of welfare for no explicable reason. Suspicious transactions or actions by a public official or their relatives:*

Spend a significant amount of cash on a daily basis without spending/saving the funds received in salary.

A house is being built and payment for construction materials and services is made in cash using large denomination banknotes.

Accepts paid leisure or entertainment trips, gift cards, luxury goods, cash, etc.

Credit obligations are cancelled before the due date.

When shopping, pays for goods in cash with large denomination banknotes – € 200, € 500.

Buying a vehicle or other property and paying all or part of the amount in cash in large denomination banknotes.

# Examples and characteristics of administrative or everyday corruption

## *The second example*

***The elite real estate, whose construction plan and construction process raised many legal objections among local residents, is occupied by a public official who holds a position in one of the municipality's institutions and at the same time participated in the approval of the construction project's documentation.***

## *In addition to the general characteristics*

*A public official or his relatives have a rapidly increasing level of welfare for no explicable reason. Suspicious transactions or actions by a public official or their relatives:*

Wears expensive jewellery or other luxury accessories (such as watches).

When buying a product, ask for the invoice to be issued in the name of another person.

Accepts paid leisure or entertainment trips, gift cards, luxury goods, cash, etc.

An exclusive vehicle is often used, including cutter or yacht registered in another person's name.

Repairs his personal car, but the payment for the repair is made by another person or the institution where the public official works.

Credit obligations are cancelled before the due date and/or payment is made by a third party.

# Examples and characteristics of administrative or everyday corruption

## *The third example*

**In exchange for an illegal material benefit or donation to a non-governmental organization related to a public official, the official makes a decision, refrains from making a decision, or promises not to obstruct the actions of the person interested in making the decision.**

## *In addition to the general characteristics*

*A public official or his relatives have a rapidly increasing level of welfare for no explicable reason. Suspicious transactions or actions by a public official or their relatives:*



A high-ranking public official asks a subordinate to make or coordinate a decision that is obviously in the interest of the addressee of the decision.



A public official takes uncharacteristic actions (anomalies), such as expressing an interest in the progress of a matter, even though the matter is not related to the public official's official duties.



Credit obligations are cancelled before the due date and/or payment is made by a third party.



There is no logical explanation for having accounts with banks or payment institutions abroad.



An exclusive vehicle is often used, including cutter or yacht registered in another person's name.



By simulating a seemingly real transaction (donation, payment for advertising services), a material benefit (bribe) is transferred to a non-governmental organization related to a public official, such as a sports organization.



Makes a prosperous private transaction, such as selling a piece of art or another item.

# Political or high-level corruption

9

Political corruption is influencing of public decisions for personal gain. **Political corruption may take various forms: offering an unlawful material benefit to a particular political figure in exchange for a favourable decision; financially supporting a political party whose representatives are involved in decision-making; or influencing others in decision-making in order to gain an undeserved advantage for oneself or others.**

Unlike interest representation, public officials involved in political corruption benefit themselves or others personally, redistributing public funds to a small number of individuals, also known as the “state theft”.

In order to limit political corruption and prevent some individuals from contributing to the “state theft”, each one of us as a society must be able to spot political corruption and report it to the Corruption Prevention and Combating Bureau. This informative material describes the most common forms of political corruption and the signs by which it can be identified.



# Examples and characteristics of political corruption

## General signs of political corruption

- PEP\* meets discreetly with the natural persons interested in decision-making (representatives of legal entities, intermediaries, interest representatives).
- An unfavourable work environment is created for persons who express objections to decision-making (bossing, mobbing, deterioration of technical support, etc.).
- The PEP hides the fact of meeting with a person (representatives of legal persons, intermediaries, interest representatives) who is directly or indirectly interested in the adoption of a decision.
- The PEP makes or participates in making decisions that are in the interests of a narrow circle of persons or a group of persons.
- The PEP insistently imposes its opinion on other public officials whose vote is important in the decision-making process.
- The PEP is unable to explain the calculations and reasoning used in making its decision.
- The PEP takes uncharacteristic actions (anomalies), drastically and unjustifiably changing its position on a particular decision.

\* *PEP: politically exposed person (a person who holds or has held an important public office in Latvia or in another country or in an international organisation. This also applies to relatives or closely related persons).*

In addition to the general characteristics, **the following pages provide examples and other additional signs of actions** by public officials and persons close to them that may be indicative of possible political corruption.

If you see situations similar to the examples and which are consistent with the signs, the Corruption Prevention and Combating Bureau encourages you to report your suspicions without informing the persons involved in the situation.

# Examples and characteristics of political corruption

## *The first example*

***A person who does not have the right education, work experience and vision for the development of the municipality, but is affiliated to the ruling political party in the municipality, is appointed as the head of the municipal institution. The head of the municipal institution takes decisions to grant additional funding to an institution whose justification for using it is not explained and is questionable.***

## *In addition to the general characteristics*

*A public official or his relatives have a rapidly increasing level of welfare for no explicable reason. Suspicious transactions or actions by a public official or their relatives:*



Persons linked to the relevant political force are appointed (nominated) to important positions in state, municipal institutions or their capital companies.



Persons unsuitable for the office are appointed (nominated) to important positions in state, municipal institutions or their capital companies.



Persons connected with the PEP\* are appointed (nominated) to important positions in state, municipal institutions or their capital companies



Persons connected with the PEP use the funds allocated to the institution for the benefit of a small group.

\* PEP: politically exposed person (a person who holds or has held an important public office in Latvia or in another country or in an international organisation. This also applies to relatives or closely related persons).



# Examples and characteristics of political corruption

## *The second example*

***Following a change in the management of an institution, targeted actions are taken to create an advantage for the implementation of an idea. Rules are amended, the agenda is changed, and the issue is presented as urgent and a priority. The intention is implemented by the persons related to PEP\****.

## *In addition to the general characteristics*

*A public official or his relatives have a rapidly increasing level of welfare for no explicable reason. Suspicious transactions or actions by a public official or their relatives:*

- When concluding a contract with a tenderer, the PEP insists that the tenderer must contract/engage a specific person or company to implement the project.
- The bribe-giver employs a person related to the PEP who is unsuitable for the position taken and transfers the material benefit in the form of a salary.
- Accepts paid leisure travel, gift cards, luxury goods, etc. material benefits.
- By simulating apparently real transactions (consultancy contract, legal services, loan repayment), the material benefit was transferred to the PEP.
- Acquires real estate, movable property or financial instruments (including shares or securities) at a substantially “discounted” price, providing a financial benefit in the form of the difference between the price paid and the real value of the property.

\* *PEP: politically exposed person (a person who holds or has held an important public office in Latvia or in another country or in an international organisation. This also applies to relatives or closely related persons).*

# Examples and characteristics of political corruption

## *The third example*

***The legislation was passed in the interests of a narrow group of individuals, and the PEP\* presents this initiative as a benefit for society as a whole. PEP decisions contradict the party's programme or the PEP's publicly stated beliefs.***

## *In addition to the general characteristics*

*A public official or his relatives have a rapidly increasing level of welfare for no explicable reason. Suspicious transactions or actions by a public official or their relatives:*

- |                                                                                                                                                 |                                                                                                                                                                                                                                                                                    |
|-------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <input type="checkbox"/> PEP's of the different political factions formulate identical proposals with the same detailed calculations.           | <input type="checkbox"/> Executes risky transactions in financial instruments and profits from the transaction, even though the person has no knowledge or experience in dealing in financial instruments.                                                                         |
| <input type="checkbox"/> Receives funds from an interest representative.                                                                        | <input type="checkbox"/> Receives a financial instrument (bonds, securities, shares, promissory notes, etc.) from a third party free of charge.                                                                                                                                    |
| <input type="checkbox"/> Owns a company that buys goods at a significantly lower price or provides services at a disproportionately high price. | <input type="checkbox"/> Acquires real estate, movable property or financial instruments (including shares or securities) at a substantially reduced price, providing a financial benefit in the form of the difference between the price paid and the real value of the property. |
| <input type="checkbox"/> There is an investment portfolio (shares, bonds, etc.) that is disproportionate to the income.                         | <p>* PEP: politically exposed person (a person who holds or has held an important public office in Latvia or in another country or in an international organisation. This also applies to relatives or closely related persons).</p>                                               |

# Corruption in the area of public procurement

14

**Corruption in public procurement is when a public official takes a decision in favour of a person or the company he or she represents in exchange for an unlawful material or immaterial benefit.**

Corruption in public procurement harms national interests and society as a whole. It prevents business planning and conduct in conditions of healthy and free competition, effectively excluding honest businesses from the market. It undermines public confidence in the state and threatens Latvia's reputation internationally, making the country unattractive in the eyes of foreign investors. Negotiated procurement does not buy the best goods and services at the best price in fair competition, but rather purchases particular goods or services from a particular supplier.

Despite the fact that public procurement is strictly regulated and monitored, new ways are being found to commit crimes in disguise. However, citizens can spot signs of possible irregularities in public procurement and report them to the Corruption Prevention and Combating Bureau. This informative material describes the most common forms of corruption and the signs that identify corruption in public procurement



# Examples and characteristics of corruption in the area of public procurement

## *General indications that may indicate of corruption in the area of public procurement*

- Public procurement is announced for the purchase of goods or services that are not required by the customer.
- The procurement procedure with the lowest publicity was chosen to reduce the pool of potential tenderers.
- Procurement is artificially made more expensive so that part of the amount can be diverted to the transfer of material benefit (bribe).
- The customer shows special favouritism and consideration to a particular supplier of goods or services without any logical justification.
- The tender specification is designed for a specific tenderer, which restricts competition.
- Qualified tenderers do not pass the requirements of the technical evaluation stage (unjustified rejection).
- One of the tenders submitted is detailed, while the others are superficial and general.
- Several tenders contain the same grammatical and stylistic errors, which may indicate the creation of artificial competition.
- In large tenders, round numbers are indicated in the successful tenderer's bid documents.
- Promotions outside the procurement area are refused by the management or staff of the contracting authority.
- The customer's representative is regularly at the supplier's office, and there is no logical explanation for this.
- Close relationship, including family ties, between a representative of the contracting authority and a representative of the tenderer.
- A company with no staff and no facilities wins a tender, even though other tenderers with adequate staff and facilities participated in the tender, and there is no logical explanation for this.
- The company has no experience in the field of activity for which the contract has been awarded, or is a start-up company – established just before the call for tenders.
- The ownership structure of the company that won the public tender is very complex and it appears that this structure was created to make the real beneficiary untraceable.
- Winner of tender purchases uncharacteristic goods or services (from travel agency, watches, jewellery, motorcycles, quad bikes, sports equipment, boats, gift cards, expensive furniture, paintings, building materials, swimming pools, etc.).

# Examples and characteristics of corruption in the area of public procurement

In addition to the general characteristics, **the following pages provide examples and other additional signs** of the actions of public officials and persons close to them that may indicate possible corruption in the area of public procurement.

If you see situations similar to the examples and which are consistent with the signs, the Corruption Prevention and Combating Bureau encourages you to report your suspicions without informing the persons involved in the situation.

## *The first example*

***The customer regularly organises sub-threshold procurements, simulating the conduct of price surveys, with the aim of concluding a service contract with a specific supplier at the highest possible price. As gratitude for the concluded contract, the supplier transfers material values to the customer's representative, his relative or related natural or legal person.***

## *In addition to the general characteristics*

*A public official or his relatives have a rapidly increasing level of welfare for no explicable reason. Suspicious transactions or actions by a public official or their relatives:*



Accepts paid leisure or entertainment trips, gift cards, luxury goods, cash, etc.



Buying a vehicle or other property and paying all or part of the amount in cash in large denomination banknotes.



Wears expensive jewellery or other luxury accessories (such as watches).



Credit obligations are cancelled before the due date.



Spends a significant amount of cash on a daily basis without spending/saving the funds received in salary.

# Examples and characteristics of corruption in the area of public procurement

## *The second example*

***The representative of the customer, in agreement with the tenderer, shall implement measures for the preparation of the tender documentation and the evaluation of tenders to ensure that a particular supplier wins the public procurement. As gratitude for the winning the procurement, the supplier hands over the material values to the customer's representative, his relative or related natural or legal person.***

## *In addition to the general characteristics*

*A public official or his relatives have a rapidly increasing level of welfare for no explicable reason. Suspicious transactions or actions by a public official or their relatives:*

An expert directly or indirectly linked to the tenderer shall be involved in the preparation of the procurement documents.

A house is being built and payment for construction materials and services is made in cash using large denomination banknotes.

Spends a significant amount of cash on a daily basis without spending/saving the funds received in salary.

An exclusive vehicle is often used, including cutter or yacht registered in another person's name.

When shopping, pays for goods in cash with large denomination banknotes – € 200, € 500.

An owned company provides illogical or apparently fictitious services.

Buys a vehicle or other property and pays all or part of the amount in cash in large denomination banknotes.

Income comes from consultancy and legal services contracts or other sources of income that are difficult to assess and have no logical or economic justification.

# Examples and characteristics of corruption in the area of public procurement

## *The third example*

***In public procurement, a tenderer, in agreement with the customer's representative, artificially increases the cost of items. The supplier, imitating apparently legal transactions, directs the funds intended for the bribe to the customer's representative, his relative or related natural or legal person.***

## *In addition to the general characteristics*

*A public official or his relatives have a rapidly increasing level of welfare for no explicable reason. Suspicious transactions or actions by a public official or their relatives:*

- |                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                              |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <input type="checkbox"/> After the procurement, the supplier's "business partner" withdraws some of the funds received in cash or purchases cryptocurrency, without any logical or economic justification.                                                                                                                           | <input type="checkbox"/> Executes risky transactions in financial instruments and profits from the transaction, even though the person has no knowledge or experience in dealing in financial instruments.                                                                                                                                   |
| <input type="checkbox"/> Income comes from consultancy and legal services contracts or other sources of income that are difficult to assess and have no logical or economic justification.                                                                                                                                           | <input type="checkbox"/> The supplier's "business partner" shares are formally owned by a questionable person (reputation, country of origin, participation in many companies).                                                                                                                                                              |
| <input type="checkbox"/> Income from the sale of immovable property, vehicles or shares in companies for which there is no logical or economic justification.                                                                                                                                                                        | <input type="checkbox"/> A transfer is made from the supplier's "business partner" account to a shell company, based on a fictitious explanation and without any logical or economic justification.                                                                                                                                          |
| <input type="checkbox"/> An owned company provides illogical or apparently fictitious services.                                                                                                                                                                                                                                      | <input type="checkbox"/> Proceeds consist of purchases of securities at very low values and sales at prices that are not consistent with fair value.                                                                                                                                                                                         |
| <input type="checkbox"/> In the context of contract, the supplier imitates a legal transaction by transferring funds to a "business partner" which is not (formally) carrying out an economic activity, with the aim of separating the funds needed for contract performance from the funds intended for an unlawful pecuniary gain. | <input type="checkbox"/> In a public procurement, the tenderer, in agreement with the contracting authority's representative, artificially inflates the cost items. The supplier, by simulating apparently legal transactions, directs the funds intended for the bribe to the principal, his relative or a related natural or legal person. |



# Illegal financing of political parties

Illegal financing of political parties is a form of political corruption in which, in exchange for favourable decisions, a particular political party represented by the decision-makers is illegally funded.

Illegal financing of political parties **most often takes the form of illegal contributions of membership fees or donations and the use of illegally obtained funds for electioneering, as well as hidden sponsorship and organisation and financing of pre-election campaigns.**

At the same time, financially influential persons try to influence political party activities (participation in elections, campaigning, coalition membership, etc.) by engaging in illegal financing of political parties.

To prevent the illicit financing of political parties, each of us as a society must be able to spot and report illicit financing of political parties to the Corruption Prevention and Combating Bureau. This informative material describes the most common forms of illicit financing of political parties and the signs by which it can be identified.



# Examples and signs of illegal financing of political parties

The **following pages give examples and signs of** behaviour by public officials and persons close to them that may indicate possible illegal financing of political parties.

If you see situations similar to the examples and which are consistent with the signs, the Corruption Prevention and Combating Bureau encourages you to report your suspicions without informing the persons involved in the situation.

## *The first example*

***The political party pays an inflated fee for the service, or the paid service is not actually provided.***

## *Signs*



A political party pays for a service that is not actually provided.



A political party pays an inappropriate fee for services.



The service provider makes a transfer to a subcontractor, followed by similar transactions to several companies, further explaining the payments with fictitious transactions that have no logical or economic justification.



Political party transactions make it difficult to trace financial flows.

# Examples and signs of illegal financing of political parties

## *The second example*

***A political party prepares an extensive election campaign using an outsourced service provider. The election campaign was financed by a political party and the declared campaign costs are unreasonably low.***

## *Signs*



A political party receives a service at an unreasonably low price.



A political party service provider has financial transactions with a political party supporter.



The meeting between the political party and the service provider takes place discreetly, with a third party (the supporter) being invited.



The political party service provider receives additional remuneration for the preparation of the election campaign in cash from the political party supporter.



A political party service provider is the successful tenderer for public procurement contracts in institutions under the authority of a political party or their capital companies.



A political party service provider and a political party supporter are known to each other.

# Examples and signs of illegal financing of political parties

## *The third example*

***A political party receives contributions or donations of a similar amount from several members on the same day or on two or three consecutive days in an election year. Payers of membership fees or donations pays the same amount in cash into their own account or receive a transfer from a third party before transferring it to the political party.***

## *Signs*



Meetings with members of political parties are discreet.



Several employees of the same company make donations to a particular political party at the same time.



A member of a political party is asked to pay the membership fee using funds that are given to the person in cash or deposited in a bank account.



There are insufficient funds in a political party member's bank account to make a membership fee payment or donation before making a cash contribution.



Several members of a political party pay their membership fees on the same date or on close dates.



Cash deposits into individuals' bank accounts shortly before or after a donation to a political party.



Political party members pay their membership fees in similar, round amounts.



In election years, cash deposits are more frequent in the accounts of political party members.

# Action steps if corruption is suspected

The examples and signs given in this material are not exhaustive, but can help you to spot suspicious situations where corruption may be taking place.

If colleagues, business partners or citizens see and recognise one or more of the signs listed in the material in the actions of public officials, the persons involved must not be informed and **the Corruption Prevention and Combating Bureau of Latvia contacted** immediately.

There are several ways to report to the Corruption Prevention and Combating Bureau, including anonymously:



**8000 20 70**  
hotline (calls from  
Latvia only)



**knab@knab.gov.lv**  
e-mail



**"Ziņo KNAB"**  
mobile app



**Reporting form**  
[www.knab.gov.lv](http://www.knab.gov.lv)



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Citadeles iela 1, Rīga, LV-1010, Latvia

