

CORRUPTION °C

Report on Corruption and Anticorruption Policy in Latvia

2005. First semiannum

2005

UDK 338.1(474.3)

Pa 600

Editor-in-chief: Valts Kalniņš

Authors in alphabetic order: Linda Austere
Lolita Čigāne
Karīna Janova
Līga Stafecka
Pēteris Timofejevs

This project was funded, in part, through grant of the U.S. Department of State. The opinions, findings and conclusions or recommendations expressed herein are those of the authors and do not necessarily reflect those of the Department of State.

The authors of the Chapters 2–5 take responsibility for accuracy of the facts mentioned in the corresponding chapters.

This publication in Latvian and in English can be accessed on the Internet: www.politika.lv

© Texts, Linda Austere, Lolita Čigāne, Karīna Janova, Valts Kalniņš, Līga Stafecka, Pēteris Timofejevs, 2005

© Translation, Inguna Beķere

© Texts, Centre for Public Policy PROVIDUS, 2005

© Design, "Nordik", 2005

ISBN 9984-751-85-6

Contents

Preface	5
1. Combating Corruption, Facts: the First Six Months of 2005	7
2. Election Campaign Expenditure Limits – the Baptism of Fire	19
3. The Use of Administrative Resources in Election Campaign	36
4. The Risks of Corruption in the Management System of the EU Structural Funds in Latvia	48
5. Survey of Latvian Population: Awareness Increases, Experience Slow to Change	62
6. Annex. Quantitative Overview of Combating Corruption in Latvia, 2003–2004	74

Figures

Figure 2.1. Comparison of party election expenditure from 1998 to 2005	23
Figure 2.2. Differences in the amount of expenditure declared by the parties in the 2002 <i>Saeima</i> elections and the 2005 local authorities' elections	24
Figure 2.3. The growth of party popularity in Riga prior to the 2005 local authorities' election	28
Figure 2.4. The increase of <i>LPP</i> advertising expenditure and ratings	29
Figure 2.5. The types of events organised by the parties (01.01.–12.03.2005) ...	30

Tables

Table 2.1. The views of the inhabitants on the election campaign in April, 2005	26
Table 2.2. Survey: The impact of information sources upon political choice ...	29
Table 5.1. Categories of Corruption in the Survey	63
Table 5.2. The possible number of inhabitants who within the last two years have made unofficial payments or given gifts in the value equal to or exceeding 5 lats.	70
Table 6.1. Criminal cases initiated in 2003 and 2004 according to the articles of Criminal Law and the crimes established by them	74

Table 6.2. The number of persons who have been charged with criminal offences according to the primary crime committed 75

Table 6.3. Persons who have been convicted for crimes in public service and the punishments (2003) 76

Table 6.4. Persons who have been convicted for crimes in public service and the punishments (2004) 76

Table 6.5. State officials convicted for criminal offences in public service by institutions: 2003–2004 77

Table 6.6. The size of bribes in criminal cases in which the state officials have been convicted according to the CL Article 320 (accepting bribes), Article 321 (misappropriation of a bribe), Article 322 (intermediation in bribery): 2003–2004 78

Boxes

Box 4.1. A consultant’s opinion 52

Box 4.2. The case of the Ministry of Education and Science 53

Box 4.3. A consultant’s opinion 56

Box 4.4. Interview quotes on hidden lobbying 57

Frequently used abbreviations

- CL – Criminal Law
- CPCB – Corruption Prevention and Combating Bureau
- ERDF – European Regional Development Fund
- LIDA – Latvian Investment and Development Agency
- NGOs – Non-governmental organizations
- RTSD – Road Traffic Safety Directorate
- SF – EU Structural Funds
- SRS – State Revenue Service

Preface

This is the first edition of the publication *Corruption °C. Report on Corruption and Anticorruption Policy in Latvia* that the Centre for Public Policy *Providus* offers to the readers. The title of the Report contains the symbol of Centigrade degrees that is usually used to denote temperature. The objective of this Report is not to measure the level or the scope of corruption as is usually done by surveys or with the help of other quantitative methods, its objective is to focus upon the anti-corruption measures and to form a perception how resolute and strict the anti-corruption measures are. Speaking figuratively, how high is the temperature that the corruption in Latvia is subjected to and has it reached the level at which the germs of corruption start perishing.

The motley mix of daily news quite often contains a news item that a higher or lower ranking state official has been detained, that a court has passed a judgement in a corruption case, on the risks of corruption within a certain institution or a newly adopted law that is supposed to weed out this evil. However, within this chaotic flow of news it is difficult to distinguish the significant from the insignificant and to understand whether the case is just a short-term, sporadic measure or is it a case of important, long-term trends. The mission of this Report is to give an overview of these separate phenomena, placing them in a broader and more long-term context. The Report is a collection of factual information on the most important anti-corruption policy events of the first half of 2005, as well as an insight into the combating of corruption since 2003. Some topical issues have been treated in separate articles written by experts.

The first half of 2005 witnessed significant events. Long existing weaker or stronger tension between the Head of the Corruption Prevention and Combating Bureau (CPCB) Aleksejs Loskutovs and the Prime Minister Aigars Kalvītis. Moreover, within this period CPCB detected some of the most important corruption cases during its period of existence – the actions of a head of a hospital who took a decision to pay himself an additional remuneration in the amount of 64 749 LVL, extortion of 40 000 LVL by three insolvency administrators, illegal actions at Daugavpils City Council, bribery during the election of the Mayor of Jūrmala in the amount of 20 000 EUR, bribery in the amount of 45 000 LVL done by an owner of chain of pharmacies, etc. There is no external evaluation of the quality of the investigation in these cases and whether it will be possible to prove the guilt of the involved persons. However, these cases are a testimony of unheard of resoluteness in combating corruption in Latvia.

The elections of local authorities held in March was an important event in the context of combating corruption, this was the first time when the new system for regulating the funding of political parties and the campaign costs was tried out in practice. It seems that one of the main conclusions is that the so called “ceiling of campaign expenditure” has reduced the amount of money spent in campaigns (or at least has not allowed it to increase), however, in order to reach this objective at least partly the openness of party financing was sacrificed. An in-depth treatment of this topic is offered in the article by Lolita Čigāne and Linda Austere.

The limit on expenditures has forced the parties to look for other means of providing for their campaigns. Several political forces that prior to 2005 elections of the local authorities were in dominant positions in several local authorities tended to make use of the resources of the said local authorities, i.e. the resources of all the inhabitants of the said territories – the premises, their status of a state official, the media financed by the local authorities, etc. – for the purposes of their campaigns. At present there are no effective legal means against the so-called misuse of the administrative resources in Latvia, nor is there a unanimous understanding about where the borderline should be drawn between the acceptable and unacceptable. The use of administrative resources in the elections of 2005 is analysed by Līga Stafacka and Pēteris Timofejevs.

Another factor important in the context of corruption in 2004 and 2005 alike have been the influx of the EU Structural Funds money into Latvia. Literature on corruption contains extensive descriptions of cases when a sudden influx of significant sums of money into the state sometimes blows up corruption like an air current – fire. This *blow-up* of corruption can be prevented by solid institutional structure in fiscal management. However, in the case of structural funds in Latvia this system still needs significant improvements in order to prevent some of the problems that are discussed by Karīna Janova.

This collection of thematic articles concludes with the reflections by the author of this Preface on the public opinion surveys on issues of corruption that were carried out in Latvia in 1999 and 2005. In the period of time separating these two surveys many people have become more aware of what corruption is and what harm it inflicts on the level of the state. However, for a major part of society turning this awareness into a guideline for daily behaviour is still a challenge, and complete overcoming of it is still ahead.

Many people assisted in making this Report, there were too many of them to mention everyone individually, but they all deserve our gratitude. I would like to extend special thanks to the officials of the Corruption Prevention and Combating Bureau who provided extensive information and patiently provided explanations, as well as to the courts of Latvia who for the purpose of drafting this Report were sending tens of court judgements, an in-depth analysis of which will follow in the coming publications.

Valts Kalniņš
Corruption °C, editor-in chief

1. Combating Corruption, Facts: the First Six Months of 2005

This part of the Review contains the most important events linked to corruption prevention or combating. This overview is split into 15 topics that are partly defined on the basis of the structure of “National Program for Corruption Prevention and Combating 2004–2008.” These 15 topics do not cover in full all the significant sectors in the prevention and combating of corruption, however, the objective of this Chapter was just to record the events that had taken place within the first six months of 2005. Thus those sectors that during this period had no significant developments have not been included. The overview was drafted on the basis of the information provided by the Corruption Prevention and Combating Bureau and other institutions, information published on the web pages of state institutions, as well as the news agency BNS materials.

Financing of Political Organisations

Legal proceedings – the most important cases

On January 24, 2005 the Administrative District Court satisfied the claim of the party *Latvijas ceļš (LC)* against CPCB about the repayment of the illegally donated 4000 LVL. In March, 2004 CPCB ordered *LC* to repay the donations it had received illegally, however, it made a mistake in its decision and referred to an article of law no longer in force. On discovering the error CPCB issued another administrative act in which the correct reference was included and an explanation was added.

On March 15, 2005 the Senate of the Supreme Court satisfied CPCB cassation complaints and revoked the judgements of the Administrative Regional Court with which the decisions of CPCB were revoked in the part on the repayment of the illegally received payments by *Zaļo un zemnieku savienība (ZZS)*, as well as *Krievu partija*. Both cases were referred back to the Administrative Regional Court for a repeated examination. In 2002, when verifying the legality of the received donations, CPCB concluded that donations to *ZZS* for the total sum of 55 950 LVL and to *Krievu partija* for the total sum of 630 LVL were done by violating the law on the Financing of Political Organisations (Parties).

On May 10, 2005 Riga City Centre District Court suspended for six months the activities of *Apvienotā sociāldemokrātiskā labklājības partija*. The party had failed to carry out the order of CPCB on the repayment of the illegally received donations in the sum of 3337.90 LVL and submitting of a more detailed list of donations.

On May 20, 2005 the Administrative Regional Court rejected the complaint of *Latvijas Zemnieku savienība* on the decision of CPCB on the repayment of the illegally received 55 120 LVL.

On June 3, 2005 the Administrative Regional Court satisfied the CPCB appeals claim and rejected the complaint of *Zaļo un zemnieku savienība* about the decisions of CPCB with regard to the repayment of the suspicious donations. CPCB ordered *Zaļo un zemnieku savienība* to pay to the state 29 100 LVL.

On June 7, 2005 the Department of Administrative Cases of the Supreme Court Senate deemed as unsubstantiated and rejected the cassation complaint of *Latvijas Zaļā partija (LZP)* about the decision of CPCB ordering *LZP* to repay the donations in the amount of 6 445 LVL that were received in contrary to the law. This decision cannot be appealed against.

Development of Legislative Basis

On March 22, 2005 the Cabinet of Ministers approved of Regulations No. 196 “Regulations on the annual declarations of financial activities, declarations on pre-election period expenditure, notifications on the planned election expenditure, declarations on election income and expenditure and on notification of gifts (donations) by political organizations (parties),” which stipulate that the political organisations have to provide information on their finances.

On April 14, 2005 at the meeting of the Secretaries of State the following draft laws were announced: “The Law on Financing Constituents’ Associations”, “Amendments to the Law on Electing City Council, Regional Council and Rural District Council”, “Amendments to the Law on Corruption Prevention and Combating Bureau”, “Amendments to the Code of Administrative Offences of Latvia” and “Amendments to the Criminal Law.” These draft laws in February were submitted by CPCB, in order to ensure a legal basis for the financial activities of constituents’ associations. The draft law on financing associations of constituents define the procedure for financing associations of constituents (sources of funding, restrictions, liability) and the way they report on the received and spent financing, as well as the competency of the state institutions in controlling this sector. The Amendments to the Code of Administrative Violations provide for liability in cases when the rules of financing have been violated, for example, including false data in the reports, disregarding the restrictions on the amount of funding and for mediation. The Amendments to the Law on Corruption Prevention and Combating Bureau define the competency of CPCB in controlling the financial activities of the constituents’ associations, i.e., the rights to call to

administrative account guilty persons and to order the constituents' associations to repay the illegally received donations.

See Chapter 2 of *Corruption* °C on the functioning of the regulation on party financing and campaign expenditures during the election campaign of the 2005 local authorities' elections.

The Status and the Activities of Corruption Prevention and Combating Bureau

Legislative basis

On January 27, 2005 the *Saeima* adopted in the final reading amendments to the Law on Corruption Prevention and Combating Bureau, which redefined the duties of the Board of the Bureau, the mandatory requirements to persons allowing them to become officials or employees of the Bureau, the instances when the officials or the employees of the Bureau may be discharged and the regulation of the disciplinary liability of the employees.

On April 21, 2005 at the meeting of the State Secretaries the draft law "On the Service Pension of the Officials of the Corruption Prevention and Combating Bureau" was announced.

The relationship between CPCB and the Prime Minister, I. Bode's suspension from office, control of A. Loskutov's activities

March, 2005

- The Head of CPCB Aleksejs Loskutovs suspended from office the Head of the Investigations Department of the Bureau I. Bode, who, inter alia, was also involved in the investigation of the so-called "digital television" case.
- The Prime Minister Aigars Kalvītis announced the intention to establish an advisory board that would help to assess the complaints received with regard to the activities of CPCB. This intention has not been implemented.
- CPCB received A.Kalvītis' letter ordering I. Bode's reinstatement in office.

April, 2005

- A. Kalvītis issued an order to start internal investigation to assess A. Loskutov's behaviour – failing to reinstate into office I. Bode.
- The Prosecutor's General Office made public the conclusion that no signs of administrative or criminal violation can be identified in the actions of the Prime Minister A. Kalvītis in ordering A. Loskutovs to reinstate I. Bode into office.

June, 2005

- Following an application by the former prosecutor G. Akmeņkalns the Prosecutor's General Office started checking whether A. Loskutovs had no conflict of interest by combining this job with the job of lecturer at universities.
- A. Kalvītis initiated a disciplinary case with regard to A. Loskutovs, since the internal investigation revealed that in dismissing I. Bode legal norms had been violated.
- Rīga Vidzeme District Court decided that I. Bode had to be reinstated into office and should be paid compensation.
- The State Revenue Service imposed a fine in the amount of 50 LVL to A. Loskutovs for minor errors in filling out the declaration of a state official.

The criminal cases initiated by CPCB on criminal offences committed while being in public service, with regard to which the fact that a case has been started was made public

- At the beginning of January a criminal case was started against officials of the Inspectorate for Monitoring Lotteries and Gambling for exceeding their official authority (CL, second paragraph of Article 317). Being personally interested the officials had disclosed commercial information on the gambling business.
- On January 12 a criminal case was started for violating the restrictions laid down for officials at the Latvian Centre of Oncology. From January 2002 to November 2004 the head of the centre had made one-man decisions with regard to himself, passing orders and approving of an additional remuneration in surplus to his salary in the total amount of 64 749.50 LVL. CPCB requested starting of a criminal procedure in accordance to the first paragraph of Article 325 of CL.
- On January 31 a criminal case was started for the extortion of 40 000 LVL from the management of a company, threatening with intentional delaying of the insolvency case, thus stopping its activities. Three certified insolvency administrators were detained for the fact of extortion (the second paragraph of Article 183 of CL); CPCB requested starting of a criminal procedure against them.
- On February 4 a criminal case for bribery was started, in the framework of it a group of three employees of the SRS Customs Criminal Investigation Department was detained. The group of persons, when carrying out an inspection of warehouse premises, owned by an entrepreneur, had demanded from him a bribe of 600 LVL for drawing up a favourable inspection act. The entrepreneur did not agree to pay the sum that was initially demanded, thus a bribe in the amount of approximately 200 LVL was accepted. Later CPCB detained also the fourth accomplice. The Bureau requested starting a criminal case according to the second paragraph of Article 320 of CL.

- In mid-February a criminal case was started for exceeding the official authority by the state officials of Liepāja region Nīca rural district council, selling plots of lands in the seashore forests in the Nīca rural district (the second paragraph of Article 317 of CL). In the period from 1997 to 1999 the officials had sold six plots of lands located in the forests within the protected Baltic sea-shore zone without receiving a decision of the Cabinet of Ministers with regard to each individual case.
- On February 28 a criminal case was initiated for using official status in bad faith and for legalising crime proceeds. As part of this case on March 2 the managing director of Daugavpils City Council was detained, who, disregarding the procedure stipulated in the law, had intentionally organised fictitious tendering procedures, disadvantageous to the local authority. The Bureau requested starting criminal procedure against the managing director according to the second paragraph of Article 318 of CL and the second paragraph of Article 195, as well as against three officials of two companies of Daugavpils City Local Authority – for using their official status in bad faith.
- On March 18 a criminal case was started for offering a bribe in the amount of 20 000 EUR during the elections of Jūrmala city mayor. The Bureau requested starting criminal procedure against three persons for giving bribes (the second part of Article 323 of CL). Two of the suspects were the former deputy candidates of Jūrmala Council from the party *Jaunais centrs*. One of them was a state official – the board member of Jūrmala local authority company.
- On March 20 a criminal case was started for interference with the exercise of voting rights to freely elect deputies by using bribes, which was intentionally done by the representatives of the political organisation *Jaunais Centrs* in Jūrmala (CL, Article 90). Two persons were detained – a deputy of Jūrmala Council and one former deputy candidate, against two persons the security measure was used – signing the pledge not to change their place of residence.
- On April 13 a criminal case was started for giving a bribe in the amount of 45 000 LVL, which was done by an entrepreneur, an owner of a company trading in medical products. CPCB sent the case to the Prosecutor's General Office for starting criminal procedure according to the first paragraph of Article 323 of CL.
- On April 29 a criminal case was started for demanding and receiving a bribe – three employees of Riga City Main Police Board, department No. 21 and one private person had demanded a bribe of 300 LVL from an entrepreneur, so that after the inspection carried out in his company a protocol on administrative violations would not be drawn up and in the future no more inspections would be carried out.
- On May 3 a criminal case was started in relation to illegal issuance of drivers' licences. Three Road Traffic Safety Directorate employees were detained, suspected of bribery in group. The heads of two driving schools were suspected of mediation in bribery. Within the framework of this criminal case CPCB requested the prosecutor's office to start criminal procedure against six persons (according to the second paragraph of Article 322 of CL, the first paragraph

of Article 321, the second paragraph of CL Article 320, the first paragraph of CL Article 318).

- In the second half of May a criminal case was started for the abuse of official status and falsifying of documents in relation to the carrying out of blood alcohol tests. Three employees of the Narcology State Agency are suspected of falsifying test results, but an employee of the Traffic Police – for the abuse of his official status. CPCB requested starting of a criminal procedure against these persons according to the Articles 318 and 275 of CL.
- May 30 a criminal case was started for the extortion of bribe in the amount of 250 LVL, which was done by the police inspector of especially serious cases of the Security Police. The Bureau requested starting of a criminal procedure according to the third paragraph of Article 320 of CL.
- On June 29 CPCB employees detained two persons for mediation in bribery. The demanded bribe amounted to 15 900 LVL.

Recruiting and Motivating the Personal in the Public Sector

On February 15, 2005 the Cabinet of Ministers supported the concept document "On the Uniform Remuneration System to Public Sector Employees." This concept document envisages assessment of the positions within the public sector and approval of the Public Sector Job Catalogue, as well as the introduction of salary groups according to the groups of positions and levels included in the Catalogue. A gradual increase of remuneration is planned with the aim of reaching the salaries in the amount of 70–80% of the private sector salaries within five years. A remuneration that is adequate to the position and serves as a motivation is considered to be a factor reducing the probability of corrupted activities by the officials.

On May 3, 2005 the Cabinet of Ministers approved the Regulations No. 310 "Regulations on the Classification System of Job Positions and the Job Classification Procedure in the Institutions of Direct Public Governance," which define a uniform system for classifying jobs in the institutions of direct public governance. The regulations are necessary to develop a uniform system of remuneration and to facilitate human resources management and development.

Internal Control Mechanisms

In the first half of 2005 institutions of public administration and local authorities continued drafting and submitting to Corruption Prevention and Combating Bureau the organisational anti-corruption action plans. This task was set in the National Program for Corruption Prevention and Combating 2004–2008. At the end of June, 2005 CPCB had received 208 anti-corruption action plans, out of which according to the judgment of CPCB 27 had to be supplemented or redrafted.

According to the information provided by CPCB the total number of such plans to be submitted by institutions of public administration is 234.

On March 17, 2005 the *Saeima* approved in the final reading of the amendments to the Law “On the Insolvency of Companies and Enterprises,” which stipulate that the insolvency procedure administrators should be chosen according to the principle of contingency to prevent the possibility to agree with specific administrators on carrying out unlawful activities.

Ethics of Public Institutions

During the first half of 2005 the process of drafting and approving of the Codes of Ethics of public administration institutions, setting up of ethics commissions and inclusion of ethical norms in the employment contracts continued. This is an overview of the status of ethical regulation at the ministries as of end of June, 2005, however, a number of codes of ethics have been adopted or are being developed, ethics commissions are being established also at the institutions subordinated to the ministries.

- The Ministry of Defence: a draft code of ethics exists, an ethics council established.
- The Ministry of Foreign Affairs: a draft code of ethics is being developed.
- The Ministry of Children and Family Affairs: a draft code of ethics exists.
- The Ministry of Economics: there is a code of ethics and an ethics commission.
- The Ministry of Finances: ethics norms included in internal operational regulations, an ethics commission is formed on *ad hoc* basis.
- The Ministry of Interior: a draft code of ethics is being developed.
- The Ministry of Education and Science: there is a draft code of ethics.
- The Ministry of Culture: there are basic principles of ethics and an ethics council.
- The Ministry of Welfare: in process of development.
- The Ministry of Regional Development and Local Authorities' Affairs: a draft code of ethics is being developed.
- The Ministry of Transport and Communications: a code of ethics exists and an ethics commission established.
- The Ministry of Justice: requirements of ethical conduct included in labor contracts and internal rules of procedure.
- The Ministry of Health: there are the basic principles of conduct (ethics).
- The Ministry of Environment: there is a code of ethics and an ethics commission.

- The Ministry of Agriculture: there is a code of ethics and an ethics commission.

Source: Information of CPCB, prepared on the basis of reports by administrative institutions about the implementation of the National Program for Corruption Prevention and Combating 2004–2008.

Control of Personal Income

On January 13, 2005 at the meeting of the State Secretaries the concept document submitted by Corruption Prevention and Combating Bureau “On Improving the Control of the Income of Natural Persons” was announced. In the context of corruption prevention this kind of control is important, as it makes it more difficult to make use of the illicitly obtained financial means, including, through corruption.

The concept envisages three possible models of action:

- the first variant envisages improving the existing system of personal income declaration for natural persons, implementing several amendments to the existing norms;
- the second variant envisages integrating the annual income declaration into the existing system of declaration, envisaging the introduction of the amendments planned in the first variant of the concept and amendments to the existing acts of legislation, as well as the introduction of annual income declaration;
- the third variant envisages the introduction of additional annual income declaration only to persons with high income and property level, which would allow reducing the number of declarations to be submitted and, accordingly, checked.

In May, 2005 the economic assessment of the implementation of the concept project was made public, it was commissioned by CPCB and carried out by the Institute of Economics of Latvian Academy of Sciences (under the guidance of the doctor of economics Raita Karnīte) and the assistant professor of the Banking Institution of Higher Education, doctoral student of the Faculty of Law of the University of Latvia Jānis Grasis. The experts estimated that the potential direct economic effect of the implementation of this concept would be several million lats annually in the form of presently uncollected population income tax.

Prevention of the Legalisation of Crime Proceeds

On May 26, 2005 the focus upon the problem of legalising of crime proceeds was foregrounded by the announcement made by the Prime Minister A. Kalvītis about the warning issued to Latvia by the United States of America about money laundering attempts taking place within the banking sector and about the firm resolution of the government of Latvia to fight against this problem.

On May 24, 2005 the Office for Preventing Legalisation of Crime Proceeds informed that from the beginning of the year it had received more than 9.5 thousand reports from banks on unusual transactions, and that transactions in total of three million lats have been stopped.

On May 26, 2005 the *Saeima* adopted in the final reading a packet of legal acts against legalisation of proceeds from criminal activities. These draft laws were amendments to the Law “On the Prevention of Legalisation of Crime Proceeds,” the Law on Credit Institutions, to the Criminal Law and the Code of Criminal Procedure of Latvia. The amendments to the Law “On the Prevention of Legalisation of Crime Proceeds” provide for the cases when the real beneficiary of the transaction and the third person on the behalf of which a transaction is being made should be identified, and also regulate several other issues.

On June 9, 2005 the *Saeima* adopted in the second reading the draft law “On Declaring Money in Cash,” which is intended to intensify fight against legalisation of illegal proceeds through Latvian banks. The draft law stipulates that natural persons on crossing the border of Latvia have to declare money in cash if the amount in cash is equal to or exceeding the amount of 10 thousand euro.

Protection of Witnesses and Informers

On May 19, 2005 the *Saeima* adopted in the final reading The Law on Special Protection of Persons. The Law is important for combating corruption, since in the majority of cases it is possible to detect such crimes only if people are ready to testify on corrupted activities. In order to enhance this readiness an adequate protection of witnesses is needed.

State and Local Authorities Procurement

On May 5, 2005 at the meeting of the State Secretaries a new draft law was announced “Law on Public Procurement,” which is intended to replace the law that is currently in force “On the Procurement for State and Local Authorities.” This is an important draft law in the anti-corruption context, since public procurement is to be considered as one of the most significant zones where the risk of corruption occurs.

On May 23, 2005 CPCB sent to the Ministry of Finances its opinion about this draft law. Some of CPCB proposals was to designate the members of the procurement commission to be state officials in the understanding of the law “On Preventing Conflict of Interests in the Activities of State Officials,” and to define as one of the functions of the Procurement Supervisory Bureau drawing up of administrative protocols on the detected administrative offences in the field of procurement.

Corruption in Public Services (health care, education, etc.)

February 7, 2005 was the date of the first meeting for the working group, headed by the Minister for Health, to draft proposals for the amendments to the acts of legislation to prevent the circulation of cash gained from illegal activities (including receipt of illegal payments) in the sectors of health-care and education.

On June 30, 2005 the *Saeima* adopted in the first reading the amendments to the Latvian Code of Administrative Violations and to the Criminal Law. Amendments to the Code of Administrative Violations define liability for intentional illegal receipt of material values, material or other kind of benefits for providing health care services, if the material values, material or other kinds of benefits have been received by a person working in health-care who is not a state official (Article 454).

The amendments to the Criminal Law envisage expressing Article 198 *Prohibited Receipt of Benefit* in a new wording. The first paragraph of this article establishes liability for intentional, illegal receipt of material values, material or other kind of benefit which an employee of a company (an enterprise), an institution or an organisation who is not a state official, other such person who is authorised by a company (an enterprise) an institution or an organisation or other person who on a legal basis or on the basis of a legal transaction has been authorised to act on the behalf of other person, to take binding decisions or to settle disputes has demanded personally or via an intermediary for carrying out his or her professional activities or services or not carrying them out in the interests of the person giving the benefit, by abusing his or her authorisation, irrespectively of the fact whether these material values, material or other kind of benefits have been meant for this person or any other person. The penalty provided for this is deprivation of liberty for the period to three years or forced labour, or fiscal fine up to eighty minimum monthly salaries (the first paragraph of Article 198).

Education

According to the data provided by CPCB in the first half of 2005 at least 500 state officials have participated in training/seminars organised by the Bureau on different issues of preventing the conflict of interests and the internal controls of corruption within an organisation. The most sizeable work within these six months has been the training of state officials working in institutions of education on the restrictions in taking decisions pertaining to their relatives, since in many institutions of education relatives and spouses of the heads of the institutions work under their supervision.

The Involvement of the Public and the Communication of the Public Institutions with the Members of the Public

During the first half of 2005 monthly meetings of the CPCB Public Advisory Council took place; representatives of 15 organisations are members of this Council. On February 24, 2005 the Council passed recommendations for enhancing the power of the judiciary and reducing the risk of corruption. On April 28, 2005 the Council decided to establish a working group in cooperation with the Latvian Association of Health Care Employers and the representatives of the Association of Latvian Hospitals to prepare proposals for decreasing corruption in health-care. On June 30, 2005 the Council adopted an assessment on preventing corruption in health-care.

On May 3, 2005 the Cabinet of Ministers approved the time schedule for introduction of the digital signature submitted by the Special Task Force Minister on E-Governance. According to this schedule at the end of February, 2006 the implementation of the digital services should be started, using the secure digital signature. There is an opinion that the digital and thus, impersonal, procedure between the public and the public institutions reduces the risk of corruption.

Analysis and Research

In January 2005 a CPCB commissioned survey of Latvian public was carried out – *Experience in Encountering Problems of Corruption* and TI Latvia commissioned study – *Attitude Towards Corruption in Latvia* (See analysis in Chapter 5 of *Corruption 0C*).

International Agreements and Cooperation

On February 17, 2005 *the Saeima* approved in the final reading and endorsed the Civil Law Convention on Corruption of the Council of Europe. This Convention is an attempt to introduce joint international standards in the field of civil law and corruption. Article 1 of the Convention stipulates that each party within its own legislation shall provide effective measures on the behalf of those persons who have suffered damage as the result of corrupt activities, in order to give them an opportunity to protect their rights and interests, including the possibility to receive compensation for damages.

On May 19, 2005 Latvia signed the United Nations Convention against Corruption. The Convention was adopted in October, 2003. The UN Convention against Corruption is a comprehensive document that includes chapters on the measures for preventing corruption (codes of behaviour for state officials, important elements for preventing corruption in public procurement, openness and accountancy demands to private companies, the involvement of society in

preventing corruption, measures against legalisation of proceeds from criminal activities), a chapter on making corruption a crime and combating it (making a criminal offence bribing of state officials, foreign officials and the officials of international public organisations, trading with influence, abuse of one's commission, illicit enrichment, bribery in private sector, embezzlement in private sector and other activities covered by the Convention, the liability of legal persons, protection of informers, etc.), a chapter on international cooperation (mutual legal aid, etc.), a chapter on the recovery of assets, a chapter on technical assistance and exchange of information, as well as a chapter on the mechanisms of implementation that include establishment of a Conference of the Member States to promote the implementation of the Convention and to review it.

On June 22, 2005 the *Saeima* submitted to the Committees the draft Law "On the Supplementary Protocol to the Criminal Law Convention against the Corruption of the Council of Europe." This Supplementary protocol provides for the duty of each member state to ensure within its acts of legislation that the bribing of national and foreign arbitration court judges and the bribing of national and foreign members of juries and lay judges is made a criminal offence. In accordance with the version of the Criminal Law which is presently in force in Latvia the bribing of arbitration court judges is not yet classified as a criminal offence.

The Control of International Funding

One of the factors possibly increasing the risk of corruption is the influx of new flow of money in the country, which might create a temptation to the persons involved in the financial management of these finances to use their status in selfish interests. In Latvia this kind of new money flow is the funding from EU Structural Funds.

On June 13, 2005 the Committee of the Cabinet of Ministers approved the draft law on the management of the European Union Structural Funds. At the meetings for approving the draft law the non-governmental organisations the Soros Foundation – Latvia, the Centre for Public Policy *Providus*, TI Latvia – *Delna*, *Latvijas Pilsoniskā alianse* and others took part.

Article 18 of the draft law defines that the persons involved in the management of the Structural Funds are to be considered state officials in the meaning of the Law "On Preventing the Conflict of Interests in the Activities of State Officials," if they have the rights to carry out the functions of monitoring, controlling and imposing penalties with regard persons who are neither in direct nor indirect subordination to them, or if they have the rights to deal with the state budget or Structural Funds financing for the implementation of Structural Funds projects, in preparing or taking a decision with regard to Structural Funds financing.

2. Election Campaign Expenditure Limits – the Baptism of Fire

Lolita Čigāne¹ and Linda Austere²

Various countries usually choose from the range of available tools for regulating party financing the ones that are the closest to the understanding of democracy and party accountability within each country, and also serve as a solution to specific problems related to party financing that have come to the attention of the public (not infrequently – as scandals of party financing). In Latvia up to 2004 party freedom of action was considered to be the most important value of this regulation, which with the amendments adopted in 2002 was balanced with openness. The introduction of the limit to the total amount of election expenditure at the beginning of 2004 marked not only the introduction of completely new rules of the pre-election competition, which as to their contents and aims radically differ from the previous ones, but also the end of the decade of liberalism in party financing. The pre-election campaign of the 2005 local authorities' elections was the baptism of fire for the new procedure of financing political parties.

Was this reform a true leap forwards or just a half-step – this is the topic of this article.

The Recent History of the Regulation on Party Financing in Latvia

Since 1992, when the legal regulation of the activities of political parties was reinstated in Latvia, the basic rules of the financial activities of these organisations are covered by two laws. From 1992 to 1995 the procedure of financing political parties was established by the Law “On Public Organisations and their Associations,” which in fact equalled the financial activities of political parties to the activities of public organisations.³ The Law provided the independence of political organisations from public interests, laying down a prohibition to receive state funding for political activities. The control was limited to collecting and making public the information submitted by the parties.⁴ Significant

amendments that granted the rights to the supervisory institutions to impose penalties upon persons guilty of violating the law were introduced in the spring of 1995. However, the only kind of punishment envisaged by the law was a warning in a written form to the party governing institution.⁵

In August 1995 the Law on Financing Political Organisations (Parties)⁶ was adopted. The Law in its initial version was defining and explaining the financing sources of political parties, as well as introduced a limit to an individual donation – setting it in the amount of 25 000 LVL. The Law defined the concept of a gift and clearly prohibited financing of political parties by using third persons as intermediaries. However, the mechanism of control was outlined only on the level of rhetoric, and Law still puts main emphasis upon the general openness of financial information.

In summer 2000 a study of the World Bank (WB) warned Latvia about high level of the so-called “state capture,”⁷ and amendments to the legal regulation of party financing became one of the preconditions for receiving WB grant. Public opinion surveys also indicated that anxiety in this regard was well grounded – prior to the 2001 local authorities’ elections 74% of Latvian population considered politics, including political parties, to be the most corrupt sphere in the state.⁸ Within the 7th *Saeima* debates on the necessity to impose stricter limits upon the financial flow of the parties started in 2002. To a great extent this was influenced by the monitoring of the 2001 local authorities election campaign expenditure that was realised by TI Latvia – *Delna* and The Soros Foundation – Latvia. The monitoring indicated a lack of transparency in party financing.

Due to the pressure of the public opinion essential amendments to the Law were adopted in 2002. The amendments introduced a meaningful procedure for declaring party financing⁹, limited the amount of donations to 10 000 LVL per one donor annually and changed the institution of control, entrusting this duty to then newly established Corruption Prevention and Combating Bureau (CPCB).¹⁰ Moreover, finally administrative liability was established for violations of the regulation on political party financing.¹¹

Openness – Insufficient Tool

The principle of openness, which dominated in the regulation on the financing of Latvian political parties till 2004, relies upon the ability of society to judge and to make conclusions of the aims of the parties, their activities and links with party sponsors; it is also based upon the concept that an increased openness would enhance the integrity of parties. This ability of the society and the integrity of the parties should out-balance the potential influence gained by a person investing money into the party’s campaign. It is true, however, that the positive effect of openness depends upon active circulation of information in media environment, the non-governmental sector, the involvement of political parties and the institutions of public control in debates. Moreover, the constituents who are interested in the policy process always have a crucial role to play. However,

when reviewing the situation in Latvia thus far, it has to be concluded that the information on party financing is influencing the choice of the constituents to a much lesser extent than it would be necessary to make the principle of openness sufficiently effective.

The analysis of the 8th *Saeima* election campaign revealed certain correlation between the amount of money spent during the election campaign of the party and the election results.¹² Therefore the obvious temptation to spend (and thus – acquire) as large resources as possible created well-justified anxiety about the growing dependence of the parties on the interests of their sponsors and an unhealthy competition among the parties or the so-called arms-race,¹³ during which each party attempts to surpass the others in terms of their resources. Under such conditions openness as such does not ensure equality in the election campaign.

The amendments to the Law that were adopted in February 2004 brought two significant novelties – the prohibition to legal persons to make donations and also a limit to the total amount of election campaign expenditure.

This new procedure provides that the party expenditure during the election campaign period (270 days prior to elections) may not exceed 20 santims per one inhabitant that has the right to vote in each constituency where the lists of candidates have been submitted.¹⁴ Thus the attempt to curb the disproportionately growing expenditure of the election campaign put to the parties *a ceiling of expenditure*.¹⁵ In the elections of 2005 the maximum allowed amount of expenditure per each party would have been 270 000 LVL in case the party had submitted its list of candidates in all the constituencies.

The limit to the total number of expenditure is only one of the ways of restricting expenditure found in theory and in practice,¹⁶ which has received harsh critical comments both abroad,¹⁷ and in Latvia.¹⁸ With regard to the restrictions put on the total amount of campaign expenditure a number of possible advantages and disadvantages were forecasted.

Expected benefits:

- decreased total amount of campaign expenditure;
- decreased amount of advertising;
- more equal chances to all parties to attract the constituents' attention.

Possible negative aspect:

- the share of undeclared expenditure increases;¹⁹
- the importance of access to administrative resources and to media increases to ensure success of the campaign, possibly – reducing the chances of small and newly established parties to win places;²⁰
- the share of hidden advertising increases;²¹
- slandering campaigns increase;

- regional activities of the parties decrease;²²
- third persons, to whom restrictions do not apply, will become actively involved in the campaign;²³
- the parties will choose the opportunities offered by direct communication, since it is comparatively difficult to control this financing.²⁴

Impact Assessment of the Restrictions to the Amount of Expenditure

During the local authorities' elections of 2005 the impact of the expenditure ceiling was tested for the first time. This article gives an overview of the opportunities and challenges created by this new restriction on the basis of the data collected and the analysis carried out in the framework of the project of Centre for Public Policy *Providus – Openly about the Finances of the 2005 Local Authorities' Elections*. The project collected the publicly available information on party revenues and expenditures, covering the following data:²⁵

- the amount of advertising placed, recorded via monitoring electronic media and press;
- partially collected information on the outdoor advertising placed by the parties;
- the results of the monitoring of public events organised by the parties;
- the analysis of the declarations submitted by the parties;
- analysis of the information on donors available from public data basis.²⁶

Such items of expenditure as payments to legal persons for planning and executing the campaigns, the costs of producing advertising materials, the salaries paid to the persons involved in the campaign, hire of premises and vehicles are not included in this overview. The obtained data were compared with the information on party expenditures prior to the elections of the 8th *Saeima* (however, keeping in mind that the elections of the *Saeima* and the local authorities differ significantly, and the results of such comparative analysis may serve only for drawing provisional conclusions) and to the extent it was made possible by the information that is publicly available, with the information on the financing of the local authorities' election in 2001.

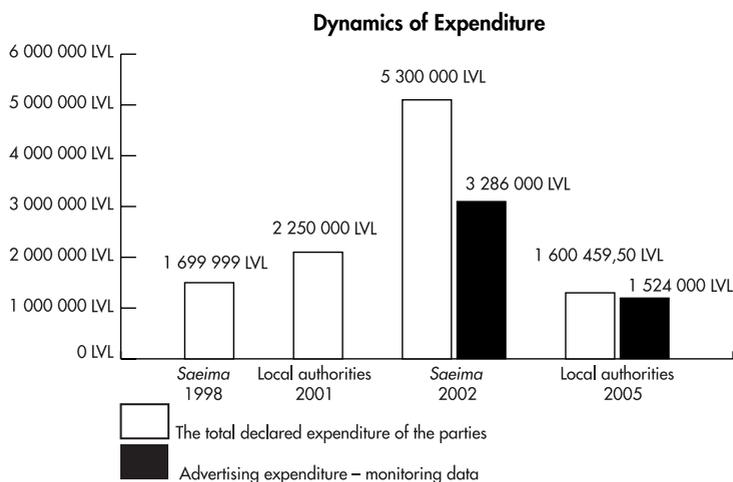
Expenditure decreases

The analysis of party expenditure shows that the general objective of the restrictions has been reached – i.e., the escalation of the party expenditure has been stopped. According to the declarations submitted by **the parties themselves** the election campaign of 2005 to the parties had cost slightly more than two thirds of the sum spent on party activities prior to the 2001 local authorities' elections or about one third of the campaign costs prior to the *Saeima* elections in 2002.

However, comparing the expenditure recorded by the project for the placement of paid political advertising, it has to be concluded that the amount of this expenditure in 2001 (assuming that in 2001 the expenditure for paid political advertising was 70% of the total declared expenditure) and in 2005 local authorities' election campaign was similar, but compared to the 2002 *Saeima* elections the expenditure decreased by 2.2 times.²⁷

The estimated total expenses of the 2005 local authorities' elections made in the project are 2.4 million lats. This estimated total amount of party expenditures is by 30% larger than the one indicated in party declarations. Both the researchers and the previous experience of public monitoring show that the advertising expenditure usually makes up up to 70% of the total sum, therefore the project, when making estimates of the total amount of party expenditure, added 30% to the advertising expenditure.²⁸ The data reveal a significant share of undeclared expenditure, since the total amount of expenditure declared by the parties is similar to the expenditure recorded within the project only with regard to one item of expenditure – placing advertising in the media.

Figure 2.1.
Comparison of party election expenditure from 1998 to 2005



Source: project *Openly about the Finances of the 2005 Local Authorities' Elections*.

With regard to individual parties – in the majority of cases the parties have observed the individually set restrictions or exceeded it insignificantly. Four parties have themselves declared an amount of over-expenditure that falls within the range from 800 LVL to 35 000 LVL – *Vidzemes apvienība (VA)*, *Latgales gaisma (LG)*, *Tēvzemei un Brīvībai/LNNK (TB/LNNK)* and *Latvijas Pirmā partija (LPP)*. However, the data obtained in monitoring show that the limit of expenditure within the range from 2000 LVL to 272 000 LVL might have been exceeded also

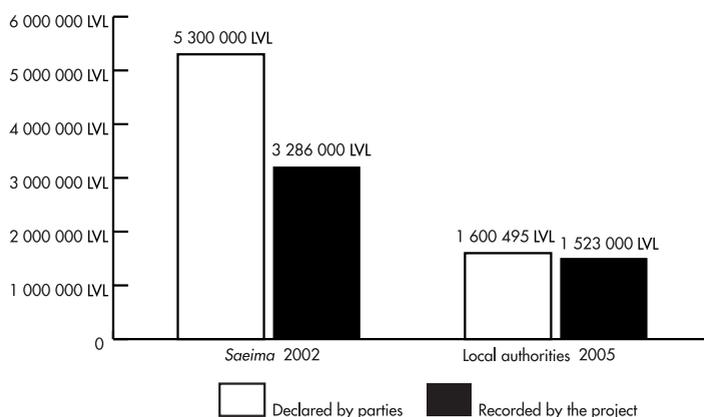
by other parties, the total number of such parties, including the ones that have declared it themselves, is 13. However, it should be noted that the project did not have at its disposal completely precise information about the conditions offered by media to the advertisers, for example, about discounts. This could explain part of the possible violations of the restrictions, especially in the cases when parties have exceeded the limit within the range up to 10 000–20 000 LVL.

Significant increase of the share of undeclared expenditure

The project data clearly show that the introduction of the expenditure limit in the cases of some parties has in fact meant giving up openness with regard to the true amount of expenditure, which previously was considered to be an important achievement. Several politicians already prior to this indicated of this possibility: “If the previous wording of the law ensured that at least 85–90% of the money invested in the campaign appeared in the financial declaration, now, at best, only a half of it will be declared.”²⁹

The election declarations submitted by the parties show that the total amount of election expenditure in the 2005 local authorities’ election was 1 600 495 LVL. However, the project data show that all the parties taken together spent only for paid political advertising in the media approximately 1 534 000 LVL, thus approximately 95% of the sum that the parties themselves have indicated as the total election campaign expenditure in their expenditure declarations. (True, the significant excess identified by the project in the case of LPP makes up the lion’s share of this possibly undeclared sum.) To compare, before the elections of the 8th *Saeima*, by using an identical method, the expenditure recorded in the project for paid political advertising was only 62% of the total expenditure declared by the parties. (See Figure 2.2.)

Figure 2.2.
Differences in the amount of expenditure declared by the parties in the 2002 *Saeima* elections and the 2005 local authorities’ elections



Source: project *Openly about the Finances of the 2005 Local Authorities’ Elections*.

Some ignore the restrictions

The data collected by the project indicate only a few cases when the parties instead of abiding by the law or searching for creative ways for violating the law (as was predicted before the elections) were simply ignoring the restrictions. This description fits the pre-election activities of two parties – *Latvijas Kalve (LK)* and *LPP*. The data obtained by the project show that for both the parties the legal amount of expenditure would have been insufficient to cover the expenses that were caused by just one item of the campaign expenditure – placing paid political advertisements in media.³⁰

It has to be said, however, that these parties did not get remunerated for this significant over-spending of the limits with the number of votes. *LPP* was running in 25 constituencies of the local authorities and in total gained 24 places of deputies, but *Latvijas Kalve*, which was running in 4 local authorities, won only one mandate in the local authorities.

However this situation should be examined not only in the context of the correlation between the amount of advertising and the places obtained. More important are the possibilities of legal counter-actions in case if also CPCB would come to conclusions similar to the assertions drawn in the project. The maximum administrative penalty for this kind of violation has been set in the amount of 5000 LVL,³¹ which leads to the question – why didn't the other parties follow the lead of the ones ignoring the restrictions?

The constituents feel a minimum impact of the restrictions

The parties, whose expenditure for paid political advertising did not reach the total ceiling of expenditure, on average did not come close to this limit in their advertising expenditure. According to the project calculations these parties spent on advertising approximately 76% of the allowed limit (with data dispersion in the range from 36% to 99%), thus allowing to make the assumption that the ceiling of expenditure comes quite close to the actual amount needed to organise the campaign.

In April 2005 the project commissioned a sociological survey to the company *Latvijas fakti* in order to find out how the inhabitants of Latvia assessed the 2005 local authorities' election campaign and the decision to limit campaign expenditure. The survey shows that approximately half of the respondents had not noticed any difference and that approximately 1/5 of the respondents had noticed that the total scope of the election campaign had decreased. It is important that the question was open and the respondents could phrase their answers themselves, however, none of the answers indicated that there had been too little information on the election candidates.

Table 2.1.
The views of the inhabitants on the election campaign in April, 2005

In what way did this election campaign differ from the previous one?	
No difference	29.2%
Don't know	20.7%
Less advertising	12.9%
Less of the election campaign	9.1%
More advertising	7.7%
Buying of votes	3.1%
Other answers	16.3%

Source: *Latvijas Fakti*.

Advertising and its Possible Impact upon the Election Results

The amount of advertising has partly balanced out and decreased

In general the parties with the most sizeable campaigns³² (except *LPP*) had a similar amount of the placed advertising or it differed insignificantly – in TV it was per one party on average 1 hour 24 minutes. The situation was similar with regard to the party paid political advertising in the press, which per party on average covered 28 m. *LPP* placed TV advertising amounting to 6 hours and 24 minutes or to 1/4 of all the advertising placed by parties with sizeable campaigns, the amount of advertising placed in the press, in its turn was 70 m. Comparison of the intensity of this advertising campaign to the pre-election period of the 8th *Saeima* (during the 2001 local authorities' elections such data were not recorded) shows that the total amount of TV advertising placed has decreased by approximately four times.

Some parties rely upon hidden advertising

The increase of hidden advertising is one of those negative consequences that were forecasted with regard to the introduction of the limit to the campaign expenditure. With the disappearance of the possibility for unlimited paying for placing of political advertising, it is easy to forecast such activities of dishonest campaign leaders as the attempts to pay for favourable reflection in the media, which is not designated as advertising. It was also forecasted that the ceiling of expenditure will make the situation worse for rather new parties compared to those political forces who are already in power and who have at their disposal various resources linked to their position of power.

Before the 2005 local authorities' elections at least three new visible political forces were established – the association of politically patriotic parties *Dzimtene*, as

well as the parties *Jaunais centrs (JC)* and *Latvijas Kalve*. Except for *LK*, these parties did not exceed the limitations of expenditure provided by the Law when placing paid political advertising and were not particularly active in organising public events. And yet *Dzimtene* and *JC* were running in 10 and 4 constituencies accordingly and gained 11 and 21 local authorities' mandates across Latvia.

With regard to these two (*Dzimtene* and *JC*) political forces one of the forecasts did partly come true, i.e., that parties will try to reach the balance of power by making more extensive use of the hidden advertising.³³ However, as the report *The Reflection of Parties in Media prior to the 2005 Local Authorities' Elections. Analysis of the Cases of Possible Hidden Advertising* shows, in general the scope of this negative phenomenon is decreasing. Out of the 672 detected cases of possible hidden advertising, 157 were linked to the association *Dzimtene*, 95 – with *JC*. However, it has to be admitted that it is not possible to assess the exact impact of this hidden advertising upon constituents.³⁴

Political advertising placed by third persons

The proportional system of elections essentially means that individual campaigns of the deputy candidates should not be allowed, however, the legal regulation of party financing does not prohibit it unequivocally. The activities of other persons, the supporters of the list of candidates, when getting involved in the campaign, are convincingly protected by the rights to the freedom of speech enshrined in Article 100 of the Constitution, providing opportunities to circumvent the restrictions by involving into the financing of the campaign persons who are, apparently, acting in good faith.³⁵

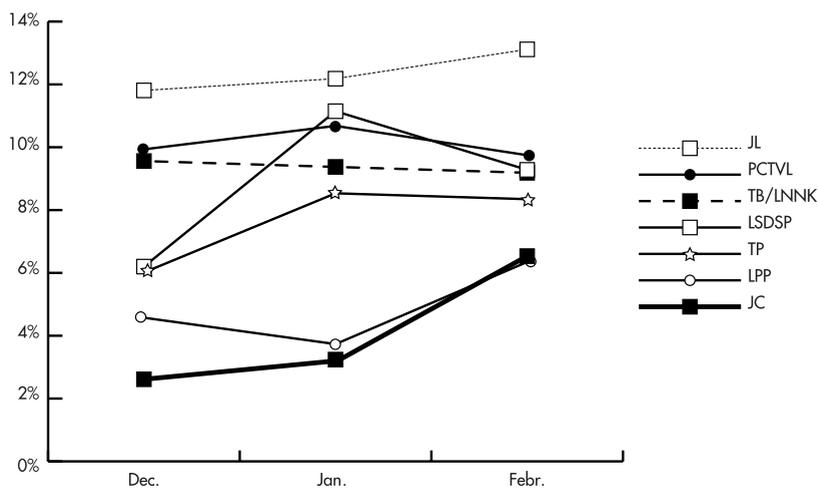
Paid political advertising placed by third persons, even though not too frequent, could be encountered during these local authorities' elections. The analysis carried out within the framework of the project shows that in general during the period covered 11 different third parties had placed paid political advertising in their own name, and only a few hundred lats were spent on it. The only exception that draws attention is the public organisation *The Association for Rural and Regional Development*, which in March 2005 placed two types of political ads in public and commercial television, and in one of them called to vote for the *TP* candidates.

Other examples that could be mentioned would be the Christmas cards to the inhabitants of Riga sent by Andris Ārgalis, the candidate for the position of Riga City Mayor, from *Tautas partija*, however, it is difficult to make costs estimates of such activities. The representatives of *TP* declared that the party had nothing to do with the mailing of these cards.³⁶ Shortly before the local authorities' elections in several locations in Riga the posters of the newspaper *Vesti Sevodnja* with the picture of Sergejs Dogopolovs, the vice-mayor of Riga City and *JC* candidate. The newspaper and S. Dolgopolovs alike denied the ties of this campaign to the party advertising, stating that the newspaper had placed the advertising on its own initiative.³⁷

Limited links between the amount of advertising and popularity ratings

Compared to the elections of the 8th *Saeima* at the 2005 local authorities' elections there were fewer parties the popularity of which (in Riga) was directly linked with the amount of advertising placed. Prior to the 2005 local authorities' elections in Riga a significant leap in popularity experienced *LSDSP* (by 2.9%), *Tautas partija* (by 2.6%) and *Jaunais Centrs* (by 4.4%). However, a direct link with increased intensity of the campaign in this situation cannot be observed, since the popularity of all three parties grew in January, when none of them had started intensively placing its advertising yet.

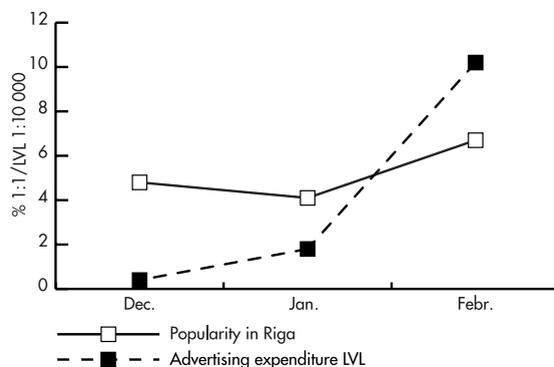
Figure 2.3.
The growth of party popularity in Riga prior to the 2005 local authorities' election



Source: project *Openly about the Finances of the 2005 Local Authorities' Elections*.

Reviewing the success of *LPP* separately it can be said that, without exceeding the election campaign expenditure limit, *LPP* most probably would not have won places in Riga City Council, for which the 5% barrier has been set (the party gained 5.7% constituents' votes in Riga). However, generally speaking, the exceeding of the expenditure limit did not bring the expected popularity to the party, the ratings in Riga was improved only by two percentage points and did not ensure a significant majority in the local authorities.

Figure 2.4.
The increase of LPP advertising expenditure and ratings



Source: project *Openly about the Finances of the 2005 Local Authorities' Elections*.

The important role of media

The fact that in general political advertising had a lesser impact upon party success makes the data on other information sources a more interesting subject of analysis, especially the role of information provided by the media as part of the campaign. As the survey carried out by *Latvijas fakti* in April, 2005 show only 8.1% of the inhabitants in their choice at the local authorities' elections admitted that political advertising had a decisive role to play. However, it should be kept in mind that people in general are reluctant to admit that their choice in elections had been determined by political advertising. And yet, the data of this survey indicate that 28% of population rely upon the information provided

Table 2.2.
Survey: The impact of information sources upon political choice

Which sources of information influenced your opinion the most, when choosing which party to vote for at the 2005 local authorities' election in March, 2005?	
Information provided by media	28.0%
Party programs	21.4%
Party representatives appearing in media, participating in discussions	12.7%
Political advertising	8.1%
Don't know/NA	7.3%
Personalities/individual people	5.3%
Events organised by the parties	5.0%
The work done by the party thus far – promises and achievements	3.3%
Personal conviction (information and experience)	2.5%
Advice from friends, family, acquaintances	2.5%
Personal acquaintance with politicians	2.2%
The activities in a political party thus far	1.0%

Source: *Latvijas Fakti*.

by the media. With the decrease of the amounts of paid political advertising, the importance of the information provided by the media might increase even further.

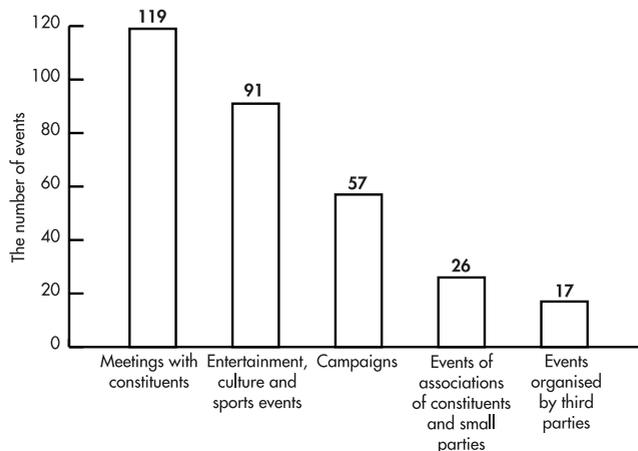
Events organised by the parties

When considering the ways the parties might attempt to circumvent the restrictions, the possibility was admitted that the parties might increase the number of public events held, since in organising them it is comparatively easier to hide expenditure, and that the money will be saved at the expense of regional activities, since the majority of the expenses will be focused upon centralised activities and campaigns covering the whole country.³⁸

The project identified 488 events of direct communication – meetings with constituents, entertainment, culture and sports events and public campaigns, for example, pickets that were organised by parties and by third persons not linked to the parties. Observers attended 310 of these events.

Similarly as with political advertisements,³⁹ the parties, when choosing out of among three types – informative, motivating or entertaining event⁴⁰ – usually prefer one of the two last ones. Meetings and discussions, explaining the basic concepts of the programs, judging by the break up of the observed events as to the types, were considered to be such an investment of time and money that does not attract sufficient attention and votes of the constituents.

Figure 2.5.
The types of events organised by the parties (01.01.–12.03.2005)



Source: project *Openly about the Finances of the 2005 Local Authorities' Elections*.

Thus it seems that the expenses on direct communication are not directly linked with the informative saturation of this part of the campaign. For example, for the cost of one concert it is possible to hold 20–25 meetings with constituents to discuss the basic policy principles of the party. However, the data obtained by the project do not show that this fact had made the parties abstain from organising concerts and similar entertainment events.

Only one party (*Latgales gaisma*) had allocated more resources for organisation of events than for placing paid political advertising in media – according to the estimates made by the project – 18 921 LVL on events and 13 000 LVL on advertising. These estimates allow concluding that *LG* has exceeded the expenditure limit set for it – 23 658 LVL.

The monitoring of events allowed to refute at least partially two of the previously voiced assumptions on the negative impact of the restrictions imposed upon the campaign expenditure. The parties, trying to circumvent the limitations, have not channelled significant resources for the organisation of public events that are difficult to control financially, even though in the declaration there is no part that would demand a precise break down of these expenditures. Moreover, in keeping within the limited expenditure, parties have not been saving resources on the expense of the work and activities of their regional chapters.⁴¹ True, the local authorities' election campaigns are decentralised by their very nature. Therefore the analysis of party activities before the *Saeima* elections might lead to different conclusions.

Conclusions and Recommendations

In general a retrospective look at the 2005 local authorities' elections, the setting of ceiling of expenditure to the total election campaign, gives grounds for optimism. The new system has not created a mass of violations,⁴² and the essential objectives of the amendments have been reached: the total amount of election campaign expenditure and paid political advertising has decreased. Whether the parties will have enough motivation to abide by the law also in the future, to a great extent depends upon the fact whether the violators will receive deterring punishment.

However, the introduction of the limit has also lead to sacrificing the openness of expenditures, since the amount of expenditures undeclared by parties has rapidly increased. Paid political advertising continues to be the basic element of the campaigns, but the decentralised communication events even in the decentralised campaign of local authorities' elections made up only 1/20 part of the total recorded party expenditure.

The amendments to the Law on Party Financing have not been able to change and influence the essence of those aspects in the activities of the political parties, which fall within the range of the legal regulation of pre-election canvassing, thus the complex approach, often referred to in the debates of the representatives of

the people should be taken up again. The legal regulation of the financing of political parties and the campaigns should be strengthened, by adopting a law on pre-election canvassing. The desirable results can be achieved only by setting limits on specific items of expenditure, for example, the amount of political advertising in media and broadcasting organisations.

Moreover, *tying of one's own hands*,⁴³ which was typical of the majority of party activities during the 2005 local authorities' election period, most probably will turn out to be a short-term progress, unless the law provides for the necessity to review the expenditure limits regularly, for example, adjusting it to changes of the consumer prices in the state.⁴⁴ At present it is also impossible to punish the violators of the regulations of political party financing effectively. In order to solve it, the legislator should consider both the severity of fiscal sanctions (at present these are insignificant), as well as the introduction of political sanctions (for example, loss of mandate), which should be established not only with regard to the party as a legal person, but also with regard to the party officials.

The important role of media in the election campaigns gives rise to anxiety about possible increase of the amounts of hidden advertising. In a more narrow meaning it is a motivation to create a legal framework needed to deal with this problem as soon as possible. In a wider meaning – it is a ground for discussions on media professionalism.

The political advertising placed by third persons might become more widespread prior to the *Saeima* elections, where the stakes are as high as or even higher than in the local authorities' elections. A possible solution might be the introduction of expenditure limits to the advertising placed by third persons, or, for example, making it mandatory for all third persons wishing to place advertising of a political force or a candidate and to spend a sum exceeding the established limit register with the Central Elections Commission.

The limiting of the total amount of expenditure has significantly decreased the share of expenditure indicated in the party declarations. Thus, unfortunately, it also has turned into a weight to which a legal counter-weight should be found. Therefore it would be of utmost importance that CPCB, the institution supervising the legality of party finances, when controlling the information submitted by the parties, would detect those cases, when officially falling within the range of legally accepted expenditure, the party has not declared its election campaign expenditure in full. Violation of this kind should not go unpunished either.

¹ Lolita Čigāne holds a master's degree in political economics from London School of Economics and a master's degree in international relations from Budapest Central European University. Worked in the joint project of The Soros Foundation-Latvia and TI Latvia – *Delna – Openly about the Election Campaign Finances of the 8th Saeima Elections* and as the director of the Centre for Public Policy *Providus* project *Openly about the Finances of the 2005 Local Authorities' Elections*.

² Linda Austere – *stud. iur.* at the University of Latvia. Since 2002 has been working on issues related to the openness of information in public sector and anti-corruption policy. In 2004 received additional training on media rights at Oxford University. Since 2005 works at the Centre for Public Policy *Providus*. Board member of TI Latvia – *Delna*.

³ Likums "Par sabiedriskajām organizācijām un to apvienībām". *Ziņotājs*, 14.01.1993. [The Law on Public Organisations and their Associations.]

⁴ Likums "Par sabiedriskajām organizācijām un to apvienībām", 20. pants redakcijā, kas pieņemta 06.04.1993. [The Law on Public Organisations and their Associations, Article 20 in the wording adopted on 06.04.1993.]

⁵ Likums "Par sabiedriskajām organizācijām un to apvienībām", 26. pants redakcijā, kas pieņemta 15.12.1992. [The Law on Public Organisations and their Associations, Article 26 in the wording adopted on 15.12.1992.]

⁶ Politisko organizāciju (partiju) finansēšanas likums, *Vēstnesis*, 02.08.1995. [The Law on Financing Political Organisations (Parties).]

⁷ *Anticorruption in Transition. A Contribution to the Policy Debate*. The World Bank, 2000. <http://www.worldbank.org/wbi/governance/pdf/contribution.pdf> Last accessed on 04.07.2005.

⁸ Study *The Face of Corruption in Latvia*. TI Latvia – *Delna*, 2000. http://www.politika.lv/polit_real/files/lv/k-seja.pdf Last accessed on 04.07.2005.

⁹ The amendments introduced a new concept of declaration, i.e., in addition to the annual declaration of financial activities special declarations of income and expenditure of pre-election period were introduced, as well as notifications on the planned election campaign expenditures that have to be submitted shortly before the elections.

¹⁰ A more extensive analysis of these amendments, see: Kalniņš, V., Čigāne, L. *Ceļā uz godīgāku sabiedrību: korupcijas novēršanas politikas jaunākās tendences Latvijā*. Latvijas Ārpolitikas institūts, 2003, pp. 48–60. http://www.lai.lv/8uz_godigaku_sabiedribu.pdf Last accessed on 04.07.2005.

¹¹ Latvijas Administratīvo pārkāpumu kodekss, 166.34 pants, *Vēstnesis*, 25.07.2003. [The Code of Administrative Violations of Latvia.]

¹² *The Analysis of the 8th Saeima Election Expenditure*, project *Openly about the Financing of the 8th Saeima Election Campaign*. The Soros Foundation – Latvia and TI Latvia – *Delna*, 2003. http://www.politika.lv/polit_real/files/lv/velizdevanalize.pdf Last accessed on 04.07.2005.

Identical conclusions about the campaigns have been made also in other countries of Central and Eastern Europe. See: Austin, R., Tjernström, M. (eds.). *Funding of Parties and Election Campaigns*. International Institute for Democracy and Electoral Assistance, 2003, p. 72. http://www.idea.int/publications/funding_parties/upload/full.pdf Last accessed on 04.07.2005.

¹³ See also Latkovskis, A. *Partiju "bruņošanās sacensība" jāaptur*. 11.02.2003 <http://www.politika.lv/index.php?id=105435&lang=lv> Last accessed on 04.07.2005.

¹⁴ Politisko organizāciju (partiju) finansēšanas likums, 8.4 pants. [The Law on Financing Political Organisations (Parties).]

¹⁵ The admissible amount of election expenditure during the 2005 local authorities' elections can be found here: <http://www.politika.lv/index.php?id=109921&lang=lv> Last accessed on 06.07.2005. Original source: Central Elections Commission.

¹⁶ One of the recommendations made by the project *Openly about the Financing of the 8th Saeima Election Campaign* was that one of the most effective kinds of possible limitations in the situation of Latvia would be the prohibition of paid political advertising in electronic media.

Other possibilities and the opinion of the parties see: Salmgriezis, Ģ. *Partiju finanses: tālejošu reformu gaidot*. Sabiedriskās politikas centra *Providus* rīkota diskusija. 04.11.2003. <http://www.politika.lv/index.php?id=107601&lang=lv> Last accessed on 04.07.2005.

¹⁷ Austin, R., Tjernström, M. (eds.). *Funding of Parties and Election Campaigns*. International Institute for Democracy and Electoral Assistance, 2003. http://www.idea.int/publications/funding_parties/upload/full.pdf Last accessed on 04.07.2005.

¹⁸ See the views of J. Ikstens, A. Snipe, S. Martinsone, Ģ. Salmgriezis published in the portal www.politika.lv subject *Politikas process* section *aktuālie raksti*.

¹⁹ Lulle, B. *Kampaņai neticamas summas*. Neatkarīgā Rīta Avīze, 28.09.2004. Quoting deputy J. Lagzdīņš (TP).

²⁰ Rozenvalds, K. *Vēlēšanas un sabiedriskās attiecības*. Diena, 26.01.2005. Also Ikstens, J. *Apmaksāta politiskā reklāma nodara nopietnu ļaunumu demokrātijas veselībai*. 03.02.2003. <http://www.politika.lv/index.php?id=105356&lang=lv> Last accessed on 04.07.2005.

²¹ Ikstens, J. *Apmaksāta politiskā reklāma nodara nopietnu ļaunumu demokrātijas veselībai*. 03.02.2003. <http://www.politika.lv/index.php?id=105356&lang=lv> Last accessed on 04.07.2005.

²² Snipe, A. *Vai partiju finanšu reforma sasniedz savus mērķus?* 05.01.2003.

<http://www.politika.lv/index.php?id=107953&lang=lv> Last accessed on 04.07.2005.

²³ Ikstens, J. *Smieklī starp asinīm un asarām*. 17.02.2004 <http://www.politika.lv/index.php?id=108280&lang=lv> Last accessed on 04.07.2005.

²⁴ Rozenvalds, K. *Vēlēšanas un sabiedriskās attiecības*. Diena, 26.01.2005.

²⁵ Research *The Party Income and Expenditure prior to the 2005 Local Authorities' Elections*, project *Openly about the Financing of the 2005 Local Authorities' Elections* Interim report, 10.03.2005. http://www.politika.lv/polit_real/files/lv/prieksvel_zin_100305.pdf Last accessed on 04.07.2005.

²⁶ Informative materials of the project, including project methodology, published on: <http://www.politika.lv/index.php?id=110012&lang=lv> Last accessed on 04.07.2005.

²⁷ *The Analysis of the 8th Saeima Election Expenditure*, project *Openly about the Financing of the 8th Saeima Election Campaign*. The Soros Foundation – Latvia and TI Latvia – *Delna*, 2003. http://www.politika.lv/polit_real/files/lv/velizdevanalize.pdf Last accessed on 04.07.2005.

²⁸ Austin, R., Tjernström, M. (eds.). *Funding of Parties and Election Campaigns*. International Institute for Democracy and Electoral Assistance, 2003. http://www.idea.int/publications/funding_parties/upload/full.pdf Last accessed on 04.07.2005. Quoted from *The Analysis of the 8th Saeima Election Expenditure*, project *Openly about the Financing of the 8th Saeima Election Campaign*. The Soros Foundation – Latvia and TI Latvia – *Delna*, 2003.

²⁹ Lulle, B. *Kampaņai neticamas summas*. Neatkarīgā Rīta Avīze, 28.09.2004. Quoted deputy J. Lagzdīņš (TP).

³⁰ On the basis of the information obtained by the project, *LPP* has exceeded the limits of expenditure at least by 215 000 LVL (251% of the limit), but *LK* by approximately 28 000 LVL or 135% of the limit. Source: Project *Openly about the Financing of the 2005 Local Authorities' Elections*, the Centre for Public Policy *Providus*, 2005.

³¹ On other penal sanctions and possibilities to apply them, see: Judins, A. *Pārkāpumi ir, bet panti neatrodas...* 01.04.2003. <http://www.politika.lv/index.php?id=105871&lang=lv> Last accessed on 04.07.2005.

³² The overview contains information about the following parties: *TB/LNNK, JL, TP, LSDSP, LC, JC, DP, TSP, LK, PCTVL, ZZS/LZP/LZS*.

³³ See, for example, Ikstens, J. *Priekšvēlēšanu kampaņu regulējums Latvijā*. 10.05.2005. <http://www.politika.lv/index.php?id=111214&lang=lv> Last accessed on 04.07.2005.

³⁴ Rožukalne, A. *Slēptās reklāmas 5 paradoksi*. 24.05.2005. <http://www.politika.lv/index.php?id=111344&lang=lv> Last accessed on 04.07.2005.

³⁵ The debate of parties organised by the Centre for Public Policy *Providus Election Campaigns after the Amendments to the Law on Party Financing*, 07.12.2005.

³⁶ Arāja, D. *Ārgalis ieslīd Rīdzinieku pastkastēs*. Diena, 27.12.2004.

³⁷ Arāja, D. *Avīzes reklāmā – deputātu kandidāti*. Diena, 17.02.1005.

³⁸ Snipe, A. *Vai partiju finanšu reforma sasniedz savus mērķus?* 05.01.2003. <http://www.politika.lv/index.php?id=107953&lang=lv> Last accessed on 04.07.2005.

³⁹ Ikstens, J. *Programmas un reklāma: divi pasaules.* 01.10.2002. <http://www.politika.lv/index.php?id=104583&lang=lv> Last accessed on 04.07.2005.

⁴⁰ **Meetings with constituents (informative events)** – usually small scale events for a wide target audience or a group with a narrower or more specialised interests, organised by the party or election candidate. Most often the meetings are organised in small and comparatively cheap premises. Sometimes, receiving the support of the local authority, the party is allowed to use certain premises free of charge. **Campaigns (motivating events)** within the project are understood as lotteries and totalizators, contests, also information tents and distribution of canvassing materials, free of charge advice on different issues at the party bureau or the place of the election candidate's place of work, charity events. The most important expenditure is linked to purchasing the campaign prizes of presents, popularisation of the events and donations that are used to provide support to third persons. This group includes also public campaigns, including organisation of events linked to peaceful protest actions – meetings, marches, pickets. The category **Entertainment, culture and sports events (the latter – also motivating)** covers concerts, theatre performances, exhibitions, presentations, sport games, that are organised or supported by parties or election candidates. These events may be organised as an independent event or jointly with meeting the constituents.

⁴¹ See the speech of G. Bērziņš and J. Lagzdīņš (*TP*) during the *Saeima* debates on the amendments to the Law on Political Party Financing 04.12.2003. http://www.saeima.lv/steno/2002_8/st_031204/st0412.htm Last accessed on 06.07.2005.

⁴² J. Lagzdīņš (*TP*) during the *Saeima* debates on the Law on Financing of Political Parties, 04.12.2003. http://www.saeima.lv/steno/2002_8/st_031204/st0412.htm Last accessed on 06.07.2005.

⁴³ Čigāne, L. *Priekšvēlēšanu kampaņa: vairāk runu, mazāk mūzikas.* Diena, 10.02.2005.

⁴⁴ More on sentencing policy in cases of violations in the party finance: Kažoka, I. *Cik stabili ir priekšvēlēšanu izmaksu griesti?* 05.04.2005. <http://www.politika.lv/index.php?id=111098&lang=lv> Last accessed on 04.07.2005.

3. The Use of Administrative Resources in Election Campaign

Līga Stafecka¹ and Pēteris Timofejevs²

The theoreticians belonging to the school of public choice compare elections to the market situation when the consumer (constituent) buys something (votes) on the basis of the acquired information on the range of goods (parties). However, the reality may differ from the theoretical constructs, since the information the constituents receive is seldom sufficient and unbiased. Moreover, it is possible that some players use unfair means to attract the constituents, including the politicians who are in power using the power available to them to manipulate the public opinion and thus enhance their chances for being re-elected. It may have different manifestations, for example, suddenly, prior to the elections special benefits are paid to the poor inhabitants, the media report on politician opening orphanages, roads and bridges, and the officials in the local newspaper published by the local authority boast of their recent achievements, perhaps keeping silent about things they have failed to accomplish. Thus much wider opportunities are created to the politicians who are in power, making use of the public money paid in taxes, to address the public through the media, to improve their public image, and spending for this not the resources of the party, but of the society itself. To sum up, they use their official status and the opportunities provided by it for private and selfish means.

The use of unfair methods in election fight can be regarded as a corrupted practice, if corruption is defined as behaviour, which deviates from the formal duties of the public role of the official for private (personal, family, private clique) financial or status benefits.³ The use of administrative resources leaves a negative impact upon the development of democracy within the political system, since it distorts the competition among the politicians, breaks up the balance of political “market” and promotes the capturing of state from within.⁴

Thus far the use of administrative resources has not been researched in a systematic way and therefore is a comparatively new problem, which has been researched in greater detail only by the researchers from Razumkov Centre in the Ukraine,⁵ Transparency International (TI) Russian Chapter,⁶ and Ghana Centre for Democratic Development,⁷ by monitoring elections and the activities

of the parties in power.⁸ The objective of this article is to present the study performed by Transparency International Latvia – *Delna* on the 2005 local authorities election in Latvia, thus contributing to the debate on the significance of administrative resources in elections. The article includes a definition of the use of administrative resources, characterises different manifestations of it and offers an insight into Latvian situation.

The definition of the use of administrative resources

There is certain unanimity in the awareness that the use of administrative resources in election campaigns is an abuse of public resources for the purpose of the election or unauthorised use of state resources for the objectives of the political parties.⁹ However, this definition is too vague to allow more in-depth analysis of the problem, thus the interpretation of the concept of state resources should be clarified, since it is quite often being distinguished from the concept of local authorities' resources.

Some studies understand the use of administrative or state resources as direct use of executive authority with the aim of capturing this authority. For example, the researchers of Razumkov Centre (the Ukraine) are of the opinion that administrative resources are used by persons who perform the functions of the state or local authorities' power or use the administrative or executive power delegated to them, i.e., state officials, the leaders of local authorities' and civil servants, the heads of various institutions and organisations, mainly – the ones owned by the state. During elections the administrative resources are used with the aim of influencing the will of the constituents.¹⁰ It has to be noted that the Ukrainian researchers emphasise the direct influence upon elections, for example, refusing to register opposition parties, interfering with their campaigns, falsifying the results, etc. However, the use of official authority may happen not only by influencing the procedures for organising elections, but also when developing and implementing the election campaign. The researchers from TI – Russia give a much more precise interpretation of the concept – it is the use of the state power and resources (including coercive, human resources, financial, material and other resources) so that the politician or the party in power would further their interests in elections, by violating legal and/or other norms that define the fulfilment of the public duty.¹¹

However, to simplify the definition, at the same time retaining the most essential elements of the use of administrative resources, TI Latvia – *Delna* researchers agreed that the use of administrative resources may be understood as *the use of the trust, power and authority given by the public, while violating the norms of one's official position in order to gain additional advantages to ensure one's own or one's party's chances of being re-elected*. Namely, the support of the constituents granted in the previous elections that gives the authority to use the common public property is misused. In addition to the power granted the authority vested in a certain position may also be used. This, in its turn, gives

additional advantaged to the candidates who are in power compared to their competitors. Thus the authority of the position and the commission granted are used for selfish means, by violating the formal norms prescribed by the law or the informal norms of behaviour existing in certain community.

The types of administrative resources usage

After presidential elections in Russia after 1996 special attentions was paid to the use of administrative resources. Therefore when monitoring the 2003 election campaign of the State *Duma*, TI Russia distinguished between five main types of administrative resources:¹²

- *the use of regulatory resource* – various decision making and law adopting institutions and establishments are used to realise specific political interests, for example, laying down a complex procedure for registering party lists, rules on party financing favourable to oneself, influencing the election commissions so that they would not register a list of a specific party, etc.;
- *the use of institutional resource* – definite material and human resources pertaining to a certain political position or institution are used, for example, making use of the subordinated civil servants or using vehicles in one's election campaign;
- *the use of budgetary resource* – the state and local authorities' budget resources are used during the election campaign in the interests of the political forces in power, for example, using these resources to buy constituents' votes, suddenly increasing certain benefits paid or initiating previously unplanned ambitious construction project shortly before the elections without public debates and without an appropriate cost benefit analysis;
- *the use of media resource* – mass media are used in the interests of the political forces in power, for example, either political advertising in state/local authorities owned media, or a purposeful striving for positive publicity in private media, using one of the above mentioned resources;
- *the use of coercive resource* – various state institutions (police, tax inspection, etc.) are used to create obstacles to, to threaten, to exert pressure upon or even to liquidate political opponents. All those instances when a party or a politician in power creates an atmosphere of fear with the aim to enhance his chances of being re-elected can also be counted as the use of coercive resources.

In practice it is not always possible to distinguish these types of resources. Most frequently a combination of resources occurs, for example, media resource together with institutional administrative resource or the budget resource with regulatory resources.

As the Russian researcher Elena Panfilova notes it is possible to place the types of administrative resource usage on a line, at one end of which the so-called "soft" usages of administrative resources would be placed, but on the other end –

the “hard” ones. The use of institutional, budget and media resources should be considered as the “soft” kinds, but the use of coercive and regulatory resources as the “hard” ones. The “hard resources” manifest themselves as control over the repressive apparatus of the state, (police) the process of legislation and the drafting of legal regulations. It is the misuse of the monopoly of state power with the aim of achieving the re-election of a certain party, since no one else, except for the politicians in power, had access to these. The “soft” ones, in their turn, are the resources pertaining to a specific position, which a politician makes use of to gain certain advantages and to obtain additional means to ensure the implementation of his campaign.¹³ A corrupted politician who is in power, by using the authority of his position, may try to organise special media events, thus trying to gain additional publicity, but the politicians who are not in power, in contrary to that, cannot use the advantages of a public office. However, in difference to the use of “hard” resources by the politicians in power, also those who are not in the position of power have more or less equal opportunities to fight for media attention.

The Use of Administrative Resources: the Case of Latvia

In September 2004 *Delna* launched a project to monitor the use of administrative resources during the election campaign. After reviewing the experience of other countries in researching this problem, a project methodology was developed. The aim of the project was not only to monitor the use of state and local authorities’ administrative resources during the election campaign, but also to increase the public interest in and awareness of this issue and to sensitize it towards the existence and the consequences of this problem.

Monitoring the use of state and local authorities’ resources during these local authorities’ elections had a special topicality, since in 2004 significant amendments were introduced to the procedure for financing political parties. The Law on Financing Political Organisations (Parties) provides that parties may not spend more on their election campaign than 0.20 LVL per each voter of the previous local authorities’ election in this local authority, which is a significant restriction to the resources at the disposal of the parties compared to the election campaign expenditure during, for example, the 2002 *Saeima* elections.

A high standing official of the Association of Latvian Local Authorities also indicated that a direct link might exist between the restrictions to party expenditure and the risk of the misuse of administrative resources. The interviewee considered that in the 2005 local authorities’ election, compared to the previous ones, the use of administrative resources had been more widespread and the parties thus managed to circumvent the law and use the resources that were not officially declared.¹⁴ This statement leads to two possible conclusions – the first is a call to revoke the restrictive norms of the Law on Financing Political Organisations (Parties), thus preventing the need to search for illegal or unethical ways to fund one’s campaign, including the use of administrative resources. However,

in such a case it has to be assumed that all the previous work to bring order to the environment of political party financing has been done in vain. Moreover, then the significance of money in politics would increase, not decrease, since this would open up the opportunities to spend for party campaigns as much resources as each party would be able to collect. The other possibility would be to continue improving the election campaigns and reduce even more the influence of money upon politics. The monitoring of the use of administrative resources is a tool for improving the election campaign environment.

The methodology for researching administrative resources was developed by *Delna* researchers on the basis of the TI network experience, taking into special consideration the conclusions of the research.¹⁵ The research was structured into three directions:

- The first one was monitoring of media – media monitoring was carried out, predominantly the printed media (the total of 12 newspapers), collecting data on the use of administrative resources from news stories, as well as carrying out the content analysis of the media news items.
- Secondly, in case of necessity direct observation of party events was carried out, in order to identify whether the premises, office equipment, infrastructure, vehicles or other kinds of property of the local authorities were not used for the events (in total 7 events were observed).
- Thirdly, representatives of non-governmental organisations (29 interviews), local authorities' politicians and election candidates (27 interviews) and employees (12 interviews) were interviewed, in separate cases also experts of local policy (6 interviews).

As part of the project group discussions with the participation of active members of non-governmental organisations and politicians were held. The research was carried out in five cities of Latvia – Riga, Ventspils, Liepāja, Daugavpils and Valmiera,¹⁶ which were chosen, considering the size of the local authorities, political competition, and diversity of media environment, the reputation of the local authority, the size of the budget, the NGO environment and the possibility for attracting human resources for research purposes. A network of volunteers was established; they carried out the monitoring in each of the cities, as well as a central working group which collected the cases observed.

A Report on the Monitoring Results

The use of institutional resource

The practice of using the institutional resource differs, since various institutional resources are available for carrying out the duties of a local authority official – the office of the official, its equipment, the buildings and the infrastructure of the local authority, etc. The research results obtained show that the use of institutional resources is a rather widespread phenomenon.

For example, in Ventspils local authority the party *Latvijai un Ventspilij* that has been in power for more than ten years has installed its bureau in the premises of the City Council. The researchers found it out quite by chance, when on November 26, 2004 organising a meeting with the local political forces, the party activist proposed to send a fax and invitation letter directly to the address of the City Council. Also in the annual declaration of financial activities for the year 2004 that was submitted to CPCB on February 28, 2005 the aforementioned address of the City Council was indicated as its address. According to the annual financial declaration that was submitted on February 28, 2005 the party income was 9104.51LVL and it had paid for the hire of premises only 28.32 LVL. It can be concluded that such “economising” of party resources was done at the local tax payers’ expense. This practice shows that there is no sufficiently effective or adequate control or a probability of such that would deter from such activities.

Another type of institutional resources is the use of the human resources employed by the local authorities to further the re-election of a politician or a political party, by involving them in the election campaign activities. The cases that were identified in Liepāja and Riga mainly pertain to the publicity building of the election candidates, involving the press secretaries of the local authorities officials, who in addition to their daily duties were also building the image of the politician, drafted and sent to mass media press releases on public activities linked to a politician or a party, for example, the calling of a party congress, the intention to establish a new party or the mayor’s attitude towards a certain issue or another politician.

The occurrence of such cases is encouraged by the fact that the politician is the actual employer of the local authorities’ employee or at least is a person who might influence the cessation of labour relationship. Therefore the person employed at the local authority most probably will not report and will not complain openly about such additional duties that are not related to direct job responsibilities. Moreover, quite often the persons employed in these jobs are the members of the said political parties and thus – are loyal to the politician or at least hold similar political opinions. Such an example was Riga City Council, the head of its Information and Public Relations Department was simultaneously also a representative of the party in power and a Council deputy, who after repeated public indications that she seemed to be in apparent conflict of interest, temporarily left her position, making use of an unpaid leave of absence.

The authority of the official position of the local authority official can also be regarded as an institutional resource. Even though it is impossible to operationalise the authority of a politician to make precise measurements of it, it still has a very direct impact upon the inhabitants, especially during the local authorities’ election campaign. During the research a case was identified when the municipal limited company *Zemgale*, which is engaged in property management, had sent to the inhabitants a letter in which one of the employees was explaining her decision to vote at the coming elections for the chairperson of this municipal

company. The letter indicated that in the case this person was not elected the expenses for managing the apartment houses would significantly increase and the quality of services would deteriorate, thus indirectly inviting the inhabitants of the houses that the company was managing to vote for this person. Since the letter was printed on the official form of this institution, the information it contained seemed to carry more authority, thus manipulating with the consciousness of the potential voters, as the information would be perceived differently had the employee sent this letter as a private person, without using the official form.

The kind of institutional resource which was most often used during election campaigns was the use of the representative status of the local authority official, namely, the politician was purposefully using his representative political status to further his chances of being re-elected. The example of this would be the official opening ceremony of Daugavpils coach terminal in January, 2005 or the official opening of the municipality library in Ventspils, during which the symbolic ribbon was officially cut by the chairperson of the Council. The reasons why politicians participate in such an event could be two-fold. First of all, they strengthen their authority and the image as the head and the representative of the local authority, which could create towards them respectful attitude, which follows from the social role they are playing. Secondly, this could be the politicians' attempt to appear in newspaper photos, in the descriptions of the events and TV/radio news coverage, but in such a case these activities overlap with the use of media resource.

The use of budget resource

The budget resource was used the most to support separate, rather big social groups, and most often this was done by the ruling party in Riga. The main reason allowing the use of local authorities' budget for this purpose is closely linked to the lack of criteria for effective use of local authority budget and lack of transparency. Namely, there are no performance indicators linking the local authority expenditure to objectives and their implementation, thus allowing the public to judge how efficiently the money has been spent from the perspective of the set objectives. At present in the version of the budget that is made public the part of expenditures is not linked to administrative units that are spending these resources, and, lacking this transparency, it is impossible to assess for what purposes the budget resources are spent. The local authorities are not requested to submit a special report on the use of budget resources during the election period, which makes the control of the use of administrative resources more difficult. As the result of which the local authorities have the opportunity to spend money in such a way that allows the most effective way to reach short-term popularity and not for the priority needs. According to the estimates made by the researchers involved in the project in Riga before the 2005 local authorities elections, in cases when the use of budget resources was detected, the amount of money manipulated with was 2 200 000 LVL, the major share of which was made up by the sums paid in Christmas benefits.

An obvious example of the use of local authorities' financial resources was the amendments of December 14, 2004 made by Riga City Council to the city budget, allocating 1 500 000 LVL for paying social benefits to the poor inhabitants of the city at Christmas. The initiator of the decision was the ruling party *LSDSP*, and the range of potential beneficiaries – 60 000 inhabitants. Moreover, the invitation to receive the benefit, which was sent by the social workers of the local authority, was sent together with Christmas greetings from the chairman of the Council, which increased the costs of the benefits even more. The decision to grant such benefits was taken by the Council as it was too risky for other parties not to support this proposal, taking into consideration the pre-election context. Moreover, the initiators used the opportunity to popularise these activities as part of the party's election campaign.

Several factors can be indicated that allow classifying this case as an example of an illegitimate use of administrative resources. One of the main factors is the fact that this expenditure was not part of the planned policy, since the decision on granting the benefit was taken by introducing amendments to the city budget that happened shortly before the elections. Secondly, there were no public debates on the necessity of this expenditure. As the employees of the social services indicated in the interviews – there were no discussions to assess whether this kind of support would be the best way of solving social problems.¹⁷ Thirdly, no estimates were made on the advantages to the inhabitants of the city in general of these benefits. The only argument that was heard in mass media was the compensation for the negative consequences of the EU membership – the price increase, however, that does not explain the need to support only one social group.

The use of media resource

One of the main tools of the election campaign is mass media, through which politicians address their constituents. The politicians in power have a certain advantage in using this resource, it follows from their status and the authority linked to it, however, increased use of these advantages might increase the unfair competition even more. When analysing the use of media resources, the distinction should be made between at least three kinds of newspapers: the newspapers published by the local authority itself, media that are semi-dependent from the local authority and independent media.

Sometimes it is difficult to assess whether an official has used the media resource intentionally to enhance one's publicity or it has been determined by an objective necessity, however, such cases are quite obvious when the publicity of this kind is built by using the resources of the local authority. Many local authorities in Latvia publish informative newsletters of the Council or newspapers the aim of which is to provide information to the inhabitants on the work of the local authority, and usually these editions are distributed free of charge. The research revealed that this is one of the extensively used channels, made use of by the ruling parties, to address the constituents, moreover, without paying for this kind of self-promotion.

The edition of Riga local authority "*Rīgas Vēstis*" is such an example. The content analysis of the newspaper reveals that the representatives of the ruling party dominate in it, i.e., information is published on various local authority institutions that are chaired by the election candidates of the ruling party. The edition publishes flattering information about the institutions chaired by representatives of the ruling party, large photos the size of which is inadequate compared to the share of the text and extensive interviews with the local authority representatives, who are also election candidates. Moreover, the interview questions are flattering, for example: "Mr Dolgopolovs, what should be done in order to improve the living standards of the inhabitants of Riga?/Do you go to the theatre?/Could you make people of Riga happy, honest, kind and satisfied?"¹⁸

Previously "*Rīgas Vēstis*" was published rather irregularly, however, in the period shorter than one month prior to elections the two first issues of 2005 were published and, the analysis of their contents revealed that there was a significant difference between the information provided by the local authority and the articles that were ensuring the publicity of the ruling party. Moreover, in the pre-election issues the authors of the news articles were predominantly the political officials of the Council and election candidates, but in the issues of 2003 and 2004, namely, in the period in between elections, the articles were written by specialists responsible for certain sectors.

Similar results were obtained by the content analysis of the newspapers that are semi-dependent from a local authority, i.e., newspapers that are partially funded by the local authority that pays for the publication of its news. For example, in the newspaper that is partly funded by the local authority budget "*Jūrmalas Ziņas*" the frequency of mentioning the head of the local authority and other local authority officials differed, namely, the next candidate to the council chairperson office was mentioned four times less frequently. Moreover, the chairperson of the Council Juris Hlevickis was almost the only politician from Jūrmala whose views and opinions were reflected in "*Jūrmalas Ziņas*."

Informative publications of the local authorities, as well as media that are partly financed by the local authority may be used in the election campaigns because the institution controlling the contents and the size of the publication or the published news item is the local authority itself, which selects the information to be published and is not held accountable for the usefulness of the contents. In other words, the self-regulation of the market, when the readers determine the contents of the publication, is absent. Weaker editorial independence is typical of those media that are partially dependent upon the local authorities – the editorial board does not dare to criticise the local authority, because it is afraid to lose the client. The news items prepared by the local authority sometimes appear as "regular journalism," namely, without any indication that the article has been specially drafted or commissioned by the local authority, misleading the readers as to its origin. If the local authority is paying to get some information published in media, it indicates that the information does not have the needed public relevance and is unable to attract media attention without additional costs. This is the first signal that something is wrong with this paid for news item,

therefore its relevance should be carefully considered whether the resources of the local authority are spent efficiently. The local authority, by using the media as intermediaries, may educate its inhabitants, spending local authority resources for this purpose; however, in such a case clear principles and guidelines on the drafting of such news items would be necessary.

Mass media that are completely independent from local authority funding may also publish news items or reports on such events that could be classified as the use of institutional or media resource. Namely, the journalists because of their professionalism (lack of it) or political affinities may be unable or unwilling to distinguish between events that have been planned for the sole purpose of publicity building from publicly significant events. Such events are, for example, official opening ceremonies or ministers' visits during which support to the local politicians is expressed and, as the routes of such visits examined in the project show, they usually happen to be members of the minister's party. Such visits received wide coverage in local and national media.

The use of coercive resource

The use of coercive administrative resource was detected the least frequently, and it is the kind of use of administrative resources that is most difficult to detect, because it is usually hidden from wider public and therefore is difficult to prove. Even if the fact of intimidation has taken place, the victim might refuse to talk about it. The coercive resource might be both harsh actions against political opponents to limit their possibilities for action and using access to mass media, in order to intimidate either the opponents or larger public by threatening to use the coercive resource. The research did not obtain reliable information on any specific case when the coercive resource had been used during the 2005 election campaign, however, during the interviews with the representatives of the non-governmental organisations, party representatives and entrepreneurs it was indicated that following the previous elections the status of many employees of the local authorities' institutions was lowered or they were dismissed for formal or insignificant causes. The opponents – entrepreneurs in their turn had lost contracts with the municipal companies. These cases occur most often because of comparatively low economic activity within the said local authorities. The small number of jobs in the private sector allows the politician to use his status as an actual employer to intimidate the employees who are directly subordinated to him or the employees of the subordinated institutions.

Conclusions

The identified problems in the use of administrative resources find different manifestations in the cities of various regions. In two of the five cities – Valmiera and Liepāja – only insignificant violations were detected that could not make a large impact upon the choice of the constituents. On the other hand, in two other local authorities – in Ventspils and Riga – several significant cases of the use of

administrative resources were identified. Several instances of the use of administrative resources were identified also in Daugavpils.

These differences can be explained by the political environment of each city, however, the decisive factor on all levels of administration and in the city is the individual political culture of political actors (parties, politicians). Abiding by the principles of ethics, including whether the local authority's resources will be used in the election campaign of the specific actor, is determined by the individual political culture, understanding it as the attitude of the given politician towards the political system, its parts and his or her own role within the system.¹⁹ However, the behaviour of an individual actor is defined not solely by the individual understanding of the political ethics, but also by the external political environment, which defines the opportunities for using the local authorities' resources and the main risk factors.

The following can be mentioned as crucial factors characterising the political environment – diversity of mass media, political competition and historical preconditions in the specific region. Mass media and their diversity determine the diversity of political opinions and the opportunities of mutual control for the politicians directly influence the possibility and the quality of political competition. Strong political competition is the precondition for political control and democratic governance. However, the quality of political competition is influenced also, for example, by the length of time the ruling party has been in power and whether this party dominates among other parties also on the national level.

In the near future the greatest challenge to the political elite will be the coming 2006 *Saeima* elections. It may be assumed that under the existing strict conditions on financing political parties, the politicians will try to circumvent the legal norms by using the administrative resources at their disposal, unless the monitoring carried out by the public and non-governmental organisations is continued. As several politicians and the representatives of the local communities noted – they believe that it is the attention of anti-corruption NGOs that functions as a disciplinary mechanism, increasing public awareness.²⁰

¹ Līga Stafecka – holds a bachelor's degree in political science from the University of Latvia, where she continues her studies for a master's degree. In 2004 was studying at the Gothenburg University. Is focusing upon the research of the issues of political communication. The coordinator of the project implemented by TI Latvia – *Delna The Monitoring on the Use of Administrative Resources prior to the 2005 Local Authorities' Elections*.

² Pēteris Timofejevs – holds a bachelor's degree in political science from the University of Latvia, where he continues his studies for a master's degree. In 2003 was studying at Turku University and since 2005 has been studying at Uppsala University. Thus far has focused upon the research on the discrimination on gays and lesbians and on the public sector reform. Is active as the Board member of the Association of Latvian Students of Political Science. Was the head of the project implemented by TI – Latvia *Delna The Monitoring on the Use of Administrative Resources prior to the 2005 Local Authorities' Elections*.

³ S. Nye, J.S. *Corruption and Political Development: A cost-benefit Analysis*. In *American Political Science Review* Vol. LXI No. 2 (1967) – p. 419. The definition provided by *Transparency*

International – “Corruption is the abuse of entrusted power for private gain” taken from: *TI’s Vision, Mission, Values, Approach and Strategy* – document from TI web page <http://transparency.org/about/ti/mission.html> Last accessed on 29.04.2005.

⁴ *Monitoring Election Campaign Finance. A Handbook for NGOs*. New York: Open Society Institute (2005). P. 103.

⁵ *Parties at Elections: The Factors that Exert a Negative Impact on the Political Choice of Citizens*. In: *National Security and Defence*, No. 12 (2001).

⁶ *Monitoring the Misuse of Administrative Resources during the Campaign for the December 2003 Russian Federal State Duma Elections*. Center for Anti-Corruption Research and Initiative, Transparency International – Russia (2004).

⁷ *Abuse of Incumbency and State Administrative Resources in Election 2004*. Report for the period: October 2004. The document taken from Ghana Center for Democratic Development web page http://www.cddghana.org/publications_shelf.asp?cid=9 Last accessed on 29.04.2005.

⁸ As the Argentinian researcher Christian Gruenberg indicates similar research has been carried out also in some other Latin American countries. (Gruenberg, C. *The Abuse of Public Resources for Electoral Advantage in Latin America*. Discussion paper elaborated for OSI Justice Initiative Program. Unpublished material.) However, more extensive information on them is lacking.

⁹ Pinto-Duschinsky, M. *Financing Politics: A Global View*. In *Journal of Democracy*, Vol. 13, No. 4, October (2002). P. 71.

¹⁰ *Parties at Elections: The Factors that Exert a Negative Impact on the Political Choice of Citizens*. In: *National Security and Defence*, No. 12 (2001).

¹¹ *Monitoring Election Campaign Finance. A Handbook for NGOs*. New York: Open Society Institute (2005), P. 99.

¹² *Monitoring the Misuse of Administrative Resources during the Campaign for the December 2003 Russian Federal State Duma Elections*. Center for Anti-Corruption Research and Initiative, Transparency International – Russia (2004). Pp. 19–20.

¹³ Panfilova, E.A. *The Misuse of Administrative Resources in Election Campaigns as a Form of Political Corruption*. In: *Utsikt mot utveckling 23. Political Corruption and Democracy – the Role of Development Assistance*. Uppsala: Collegium of Development Studies (2005). P. 54.

¹⁴ The interview of the authors of the article with a high ranking official of the Association of Latvian Local Authorities. 20.04.2005.

¹⁵ *Monitoring the Misuse of Administrative Resources during the Campaign for the December 2003 Russian Federal State Duma Elections*. Center for Anti-Corruption Research and Initiative, Transparency International – Russia (2004). Pp. 25–40. *Monitoring Election Campaign Finance. A Handbook for NGOs*. New York: Open Society Institute (2005). Pp. 109–126.

¹⁶ After repeatedly receiving complaints from other local authorities the authors of the research dealt also with separate issues in other locations, that is why the example of the use of administrative resources at Jūrmala local authority is mentioned in the article.

¹⁷ L. Stafacka’s interview with an employee of Riga City Council social service. 07.02.2005.

¹⁸ The informative publication of Riga City Council “Rīgas Vēstis”, 10.03.2005. p. 10.

¹⁹ Almond, G. A., Verba, S. *The Civic Culture: Political Attitudes and Democracy in Five Nations*. SAGE Publications (1989). P. 12.

²⁰ During the discussions and interviews organised as part of the research this was emphasized by local politicians and representatives of various NGOs alike.

4. The Risks of Corruption in the Management System of the EU Structural Funds in Latvia

*Karīna Janova*¹

The article is an overview of the information collected in conversations with the representatives of the institutions involved in the management of the EU Structural Funds (SF), project applicants, project evaluators, representatives of non-governmental organisations and entrepreneur advocacy groups. To a certain extent this is the immersive or participant observation² on the SF management system in Latvia, because, by representing civil society organisations I have participated and engaged in the protection of the interests of public benefit in the Monitoring Committee of the SF, (MK),³ the Steering Committee (SC) of the European Regional Development Fund (ERDF)⁴ and in the meetings for approving the Law “On the Management of the EU Structural Funds” at the Ministry of Finances.⁵ Participation in these committees meant not only being present during the meetings, but also analysing the documents. The Monitoring and Steering Committees examine such issues as the allocation of funding, activities to be supported, tender guidelines and the eligibility criteria, appraisal criteria and many other issues of conceptual importance. While analysing the documents to be discussed as part of the meeting agenda and in case of necessity asking the civil servants of the ministries to substantiate the decisions taken, interviewing the project applicants who are directly influenced by the taken decisions, to the extent it is possible, the views of all the stakeholders have been taken into consideration, and on the basis of this conclusions have been made on the weak aspects or risk zones of the SF management system.

However, it has to be noted at the very beginning that the data on which this article is based restrict the possibility of making generalisations. The participant observation as a method does not ensure obtaining of objective, quantitative data, which might allow drawing general conclusions in the whole SF management system. The information obtained in conversations and interviews may significantly differ from the official opinion of the institutions involved in the SF management. The aim of this article is to look for corruption indicators in the SF management system that cannot be identified on the basis of the official opinions

of the ministries only. Instead of that interviews have been carried out with the project applicants, consultants and the observers of the system from non-governmental sector, who have their own views on the deficiencies in the SF management system. Thus the conclusions made in the article should not be applied to the SF management system as a whole and to all institutions involved in the management, but only to the observed and described problematic situations.

The time period from 2004 to 2006 is the first SF programming period in Latvia. Therefore the SF management system was for the first time established during the first half of 2004. The civil servants often say that in this case “you must spoil before you spin.” And yet, within this period 845.4 million euro will be allocated, including 219.8 million euro as co-funding of Latvia.⁶ These are substantial sums of money, and their administration is not perfect. In several sectors this administration is unclear and lacks transparency. The officials in charge tend to say: “Latvia has to allocate and spend the money. We have to prove to the EU that we are able to take that money. Otherwise, in the next programming period we shall not receive as much.” However, this kind of thinking ignores important issues like the efficiency and effectiveness of the use of the resources, integrity and openness, equal opportunities and reaching of the aims set in the Development Plan.

During a public debate on Structural Funds Guntis Kārklīņš, the consultant of the UNDP Latvia, noted that “the problems in using the SF funding are not unique. The established system reflects the existing imperfections in the general system of public governance.”⁷ The project applicants have faced similar problems already before, when dealing with other issues or trying to receive state support for other activities. Thus the SF is like a small mirror reflecting the way decisions are taken in public governance and the way financing is planned and allocated.

Corruption in the Context of Structural Funds Management

It is difficult to talk about direct corruption in the system of structural funds management – buying of decisions or bribery. However, the deficiencies of the system should be discussed and especially – the risk zones, where the conflicts of interests, *cronyism* or ousting of the outsiders from the circle of support are possible. The sophisticated and well-masked lobbying of the interests of certain groups should be discussed. The *infiltration* of interests takes place at an initial stage of decision taking, when the criteria of eligibility are drafted, and it usually goes unnoticed by the uninformed. The *special interests* are hidden behind legally perfect terminology and later all the procedures meet the regulations of the European Commission.

The conclusions of political scientist Vita Matīsa are important for better understanding of the manifestations of corruption within the SF system, i.e., that the roots of corruption in Latvia are found in cliques and clans: “The clans in Latvia are of much greater significance than in other Western societies, and the

consequences felt by a person who is outside all circles of mutual support are tougher. This situation is a very favourable soil for the development of the so-called corruptive environment. I would dare to claim that the clan instinct is one of the main causes of corruption in Latvia.”⁸ V. Matīsa’s statement at least partially may be attributed also to the SF system. In several manifestations this system is bureaucratic (in the negative sense of the word) and closed, and several procedures lack substantiated and understandable explanation. The lack of substantiation sometimes is so obvious that it gives ground to suspicion that the system has been prepared to sift out the ones not belonging to the clan and to support those belonging to it.

Here another quote of the political scientists is well suited: “If you yourself have never had to participate in open tenders to get this opportunity (and you are sure that you will never have to), what kind of respect you could have towards this process?”⁹ This characterises the most negative examples of SF allocations. The rules of eligibility, requirements and appraisal criteria are changed according to the needs of the clan to get SF financing.

The leading officials responsible for SF management have recognised that “corruption is possible, and in all processes you have to consider the *human factor*.”¹⁰ However, the present system has too many deficiencies in order to put all the blame for corruption risks only and solely upon the human factor. Within the management of Structural Funds all the general problems of governance can be identified, including the risk of corruption. For example, the decision taking and executive functions have not been separated, several agencies that administer SF have no regulations on the conflict of interests; there is an influence of separate parties and business groups upon civil servants and the employees of the institutions of public governance; the project tendering process has certain imperfections that allow abusing them. This article will deal with three specific deficiencies that carry the signs of clan influence upon the decision taking process and SF management:

- 1) changing and unclear tendering rules;
- 2) financing is guaranteed to the first project applicants;
- 3) hidden lobbying.

Changing and Unclear Tendering Rules

Not all open project tenders and the tenders organised within the framework of grant schemes are held according to the principles of best practice, and important procedural deficiencies can be detected in them. Non-governmental organisations, by participating in the project tenders organised by the European Commission, encounter the tendering procedures regularly, and these have already become self-evident. However, the SF funding is not always allocated according to these generally accepted standards of organising high quality tenders. There is a number of best practice elements that shows that the respective

institution indeed wants to support the best applications and, vice versa, the lack of these elements leads to well-grounded suspicion of the opposite.

These are the general features of a high quality tendering procedure¹¹:

1. Complete information on the aims of the project, the results that the project should reach, the requirements to the applicants and appraisal criteria that are made available in a timely manner. (*Timeliness* means – full information is available on the day when the project tender is announced, and the applicants can start preparing their projects; *complete information* means – tender regulation/guidelines/basic information (eligibility requirements to the applicants, eligible, non-eligible costs, appraisal criteria), that is final and does not change during the competition process).
2. A specific deadline for submitting the projects has been set, by this time the projects should be submitted to the managing institution; a reasonable period of time has been set to prepare the projects.
3. During the period when the projects are being prepared the responsible institutions are open and accessible to all to clarify some issues and they provide written, binding answers; the institutions act proactively to prevent information deficit (the frequently asked questions are published on the Internet).
4. The project appraisal criteria and the procedure are defined, they are clear and known to the applicants.

At present more than 42 open projects or grant scheme tenders are proceeding or have already been closed (as of April 15).¹² This number is quite significant, and it is impossible to assess the correspondence of each and every tender to the good governance guidelines. However, several problems have been identified.

In several project tenders at the moment of announcement complete information on the rules of eligibility was not available, and essential rules were changed with regard to already announced or even closed competitions. For example, the Regulations of the Cabinet of Ministers on the value added tax (VAT) were adopted only on September 7, 2004, when the applicants had already submitted their projects for several tenders.¹³ The new regulations provided that the project application shall enclose an informative survey form indicating whether the VAT is going to be eligible or non-eligible costs. The Cabinet Regulations provided that the survey form has to be annexed to the project application with the period of 20 business days.

Institutions reacted in different ways. For example, Agency for Vocational Education Development (AVED) published on its web page a notice in capital, red letters that another page has to be annexed to the projects already submitted. The State Employment Agency (SEA) web page kept silent on this. The representative of SEA answering the question put by TI Latvia – *Delna* question whether in case a project applicant had not known about it and had failed to add this one page, isn't this going to become the reason for rejecting the project as one not meeting the technical criteria, answered that it was going to happen like this, since

everyone had to be active enough and had to follow all the new developments. Such a change of terms after the project has already been announced might create confusion as to the rules of the game and distrust towards the institutions involved in the management of the SF. The project applicant can never feel sure that he has not failed to do something in due time, even though the project as such has already some time ago been submitted to the implementing institution.

Box 4.1.
A consultant's opinion

Consultant: We were preparing a project application for ERDF financing. The terms were very unclear and you could not understand what they [Latvian Investment and Development Agency, LIDA] really expect from you. We wrote and submitted the project, but only after we received letters requesting explanations and additional information we understood that LIDA had meant something completely different. It turned out that LIDA was supporting only purchasing of equipment for production, namely, modernisation of such technologies that are used to change and modify the material product. But our client was active in the services sector. So we had to redraft the whole project. In this case we proved that the product that was going to be changed and improved was the service itself. According to the definition they should not have accepted us, but finally we received the support. (Interview No. 15)

The greatest objections with regard to the lack of information have been addressed towards the program administered by LIDA *Improving commercial activities according to the demands of international standards*. One of the main deficiencies – the project tender guidelines do not explain what costs are regarded as eligible, i.e. the costs that can be covered by the SF and which – not. The program guidelines with regard to eligible costs state that the renovation and construction of building and premises can be supported only in such a case if that is needed for placing the equipment or technologies purchased or reconstructed as part of the project.¹⁴ However, when in December 2004 several companies were informed that their projects had been rejected with the substantiation that the project contained several illegible cost items, it turned out that the interpretation of the sentence by LIDA and the company differed.

LIDA emphasized that in the case of constructing new production buildings the SF can fund only the construction of separate production premises, but not the whole building. However, the entrepreneurs were confused: “Aren't the costs of building a corridor connecting production premises, toilets for the workers, roof above the said room eligible and are the production premises only a metre and a half encircling the newly purchased equipment?”¹⁵

On December 21, 2004 during the meeting of the Council of SMEs and Crafts with the representatives of the Ministry of Economics (ME) and LIDA, the entrepreneurs

emphasized that normal production premises were larger than just the space around the production equipment and that the guidelines did not state what the percentage of the whole production building that was to be considered eligible costs was. ME and LIDA admitted the existence of this problem and promised to develop methodology for making such calculations. However, this promise was given only after the majority of the projects had already been evaluated. The appraisal of the projects was done following the interpretation of LIDA, which was not explained and made public before the projects were prepared. The entrepreneurs voiced suspicions that the appraisal had been done in accordance to some kind of internal, inaccessible document and indicated: "You have to know someone on the inside to get this information. That promotes corruption!"¹⁶

It is also surprising that this problem emerged only during the project appraisal stage. The information on the break down of costs was of crucial importance to the entrepreneur writing the project. Does that show that the entrepreneurs in writing the projects were following their instincts or they trusted well-informed consultants?

During the meeting of the Association of Business Consultants and LIDA, the consultants indicated that the guidelines were too unclear and could be interpreted in different ways. LIDA reacted to this objection by saying: The guidelines are only recommendations. The projects have to be prepared in accordance with the Cabinet of Ministers Regulations and EU Regulations."¹⁷ Thus there is no document to rely upon when writing the project applications. The guidelines are not binding, thus their requirements can be interpreted in different ways, and identical requirements can be applied differently.

However, deficiencies have been identified not only in the activities of LIDA. Perhaps LIDA has received so much harsh criticism because it is administering one of the most demanded SF programs, TI Latvia – *Delna* detected procedural deficiencies also in the open project tender supervised by the Ministry of Education and Science and helped to eliminate them.

Box 4.2.
The Case of the Ministry of Education and Science (MES)

In January 2005 *Delna's* attention was drawn to the issue of the open project tender in the case of Single Programming Document (SPD) Measure 2.5.1. *Support to applied research at state research institutions.*¹⁸

Even though the SPD provides that in the framework of this measure the funding shall be allocated in an open tendering procedure, prior to announcing the tender the MES introduced a competition of ideas, the legal status of which and the place in the project selection scheme has not been defined neither in the guidelines of Measure 2.5.1, nor the Regulations of the Cabinet of Ministers No. 200 "On the Management of the EU Structural

Funds.”¹⁹ The Ministry one-sidedly decided also that only those “applicants of the competition of ideas whose project ideas have been approved as the winners of the competition shall be invited to develop project application and to submit it to the second project application tender.”²⁰ This is an arbitrary and illegal action of a single institution, assuming the role of project filter and from its monopoly positions determining who shall be allowed and who prohibited participating in the open (!) project tender.

Moreover, the competition of ideas (application deadline was February 7, 2005) that was announced in January was not the first of the kind. The first competition like this was held already in October 2003. The Regulations of the 2003 competition of ideas provided that the project ideas had to meet the qualitative and the specific appraisal criteria indicated in the Guidelines of the SPD Measure 2.5.1, however, these Guidelines were approved by the SC of the European Regional Development Fund only in July, 2004. That means that the 2003 competition of ideas was held without defined criteria and guidelines and that already at that time part of SF funding was earmarked for some specific recipients. The winners of the 2003 competition of ideas were granted exclusive rights to participate in the open project tender.

Delna approached the Minister for Education and Science Ina Druviete asking to clarify the situation to eliminate the deficiencies. Using its authorisation as ERDF SC member (even though only in the status of an observer) *Delna* proposed to the ERDF Steering Committee to examine amendments to the Guidelines of SPD Measure 2.5.1 in order to rectify this distortion of the system. The Ministry of Finances supported *Delna's* proposal and ordered the MED to draft the amendments to the guidelines and eliminate the practice of organising competition of ideas.

Even though *Delna* received an answer from the MES, expressing a rather negative attitude, the Ministry prepared the amendments to the Guidelines according to the *Delna* proposal. The Amendments were approved by SC in the written procedure on February 21, 2005.

Financing Guaranteed to the First Project Applicants

LIDA started accepting projects in the program *Improving commercial activities according to the demands of international standards* on August 12, 2004. The final version of the guidelines became available to the potential project applicants on July 29, when it was published on the web page of LIDA. Thus the most active entrepreneurs could start preparing their project already from this date. Even though many consultants assert that the work on project applications started already at the end of 2003, when the National Development Plan was approved,

however, the fact cannot be denied that complete information on the project tender was not available prior to July 29, 2004. Moreover, the Cabinet of Ministers Regulations stipulating the way procurement procedures should be carried out when preparing the application came into force only on August 3, 2004.²¹

The project tenders organised by LIDA and Rural Support Service (RSS) had no deadline set for submitting the project applications, namely, the applications are accepted as long as the program funding lasts. Moreover, in several open project tenders and grant scheme tenders organised by LIDA and RSS the projects were appraised only according to one specific appraisal criterion: "The project was given an advantage compared to other projects that were submitted later than the project being appraised."²² Thus in many programs (including the most demanded ones) the allocation of financing has been done according to the principle "first come, first served." The lack of specific project appraisal criteria shows that the projects were evaluated only according to the administrative criteria and there has been no competitive assessment of the project quality. Thus it is quite clear the submitted projects did not participate in a competition in the traditional understanding of the word (competition as a place for competing and contesting) and financing was granted not to the best ones, but to the first comers.

The interest of the applicants was so great that the program *Improving commercial activities according to the demands of international standards* was closed already on October 5, 2004, i.e., within the period of two months the funding that was planned for three years was distributed (more precisely – reserved, since the appraisal was still going on). This financing was not allocated in parts, by organising separate tenders.

The best practice is to approve the project guidelines, then publish them, then the project applicants start preparing, then submit their projects, then the tender is closed and the projects are appraised. In the case of LIDA the chronological sequence of the whole process showed that those who had access to information prior the Cabinet Regulations and the Guidelines were approved, managed to write the applications. The timeline of the process was as follows:

- the program guidelines or tender regulations were written already in November, 2003;
- the final version of the program guidelines was approved by the ERDF Steering Committee on July 13, 2004;
- on July 29 LIDA published it on the Internet;
- on August 12 the receiving of the projects started (project tender was announced);
- the deadline for submitting the project was not yet set;
- the first applications were immediately appraised, and on October 18 the first contracts were signed;
- on October 5 the program was closed, because those who had started to prepare their projects in due time had already exhausted the sums planned for 3 years.

If the time period allocated for preparing the projects was only two weeks, how come that already on the first days of opening the grant scheme construction and industry development projects were submitted? Even more – the whole amount of money planned for three years was allocated within two months. It is clear that the projects were written before the tender was announced. Neither the official publication of the guidelines, nor accreditation of LIDA, nor announcement of the competition was waited for.

Without blaming the most active entrepreneurs for their activity, it is clear that this tender procedure lacks reasonable time for preparing the projects. In a system like this the entrepreneurs have no clarity – is it worth to prepare the project, since it cannot be known when the projects will no longer be accepted. A high risk of corruption exists, since the company has to get good contacts with people in the implementing institution to get to know for how long the projects are going to be accepted and is it worth it to prepare them, or to (perhaps, for unofficial remuneration) get a guarantee that the project will be accepted.

Box 4.3.
A consultant's opinion

Consultant: We were preparing a project application for the program of modernising production, when suddenly on October 4 LIDA announced that the project submission had been stopped. We had a drink and “celebrated” the lost time and client. But then on that very same evening I, using “my own contacts” found out that the applications would still be accepted on the following day till 15.00. I phoned my colleagues, asked them to return to work and we were “sweating” all night through. We managed to submit it 20 minutes before closing. As I understand it, LIDA had had second thoughts and at the very last moment followed the model of RSS, which usually announces that the applications will no longer be accepted on the previous day. (Interview No. 15)

Hidden Lobbying

Hidden lobbying is the deficiency that is the most difficult to get empirical proofs of. Therefore this sub-section should be read rather as a warning about possible negative trend than as an identification of facts. In the context of this article hidden lobbying is understood as such influencing of policy makers and preparing of documents for decision taking for state officials/public institutions, which is done in secret in the narrow interests of a specific pressure group/groups.

During an informal conversation, answering the question why the draft Regulations of the Cabinet of Ministers contain such sectors to be supported that are contrary to the aims set by the National Development Plan and in fact introduces privileges to one, already sufficiently developed sector of business, a high ranking ministry official said that the drafting of the Regulations has been influenced

by *the city on the sea*²³, which historically has had a significant influence upon the ministry and that the present wording is the best one that the department had been able to achieve in order to get the European Commission's approval. Another case that indicates influencing decisions: when commenting the national program drafted by a ministry, which envisaged entrusting one limited company with doubtful reputation allocation of 10 million lats, the official expressed understanding of the anxiety voiced by the anti-corruption NGO and suggested following the developments closely, namely, what kind of procurement procedures the limited company is going to develop who is going to be on the Board and who is going to take the decisions.

If officials in charge express such statements and follow the interests of separate business groups, then the statements coming from project applicants should create no surprise.

Box 4.4.
Interview quotes on hidden lobbying

The large projects are given only to the insiders. As to the small projects – nobody cares. However, if the sum exceeds 500 000 LVL, if we get into millions, then these are divided between the Heavenly Father and the Locksmith. [Referring to two well-known representatives of the political elite.] (Interview No. 12)

If you happen to be outside the circle of well-known persons, then you've got minimal chances of getting a large project. You have to be either a party member or hire a consultancy company which is on friendly terms with LIDA. The "right" people stand behind certain consultancy companies. (Interview No. 5)

I am engaged in training on SF and have visited many local authorities. I had a conversation with a chairperson of a rural district council from Cēsis region who said that he was never going to submit SF projects, because, as long as he would have no projects, people would vote for him. As soon as projects appear, people think that there is something fishy going on. The chairmen of rural councils express this kind of views quite often. (Opinion expressed at a public debate A Year With Structural Funds. 03.02.2005.)

Several of the institutions involved in SF management have a negative image. During conversations entrepreneurs often voice disbelief about the honesty of LIDA and remind that two specific political parties have a large influence upon the Agency. As soon as a representative of another political party became the Minister for Economics, the procedure of project appraisal was reviewed. The new minister insisted that many of the projects had been rejected because of poor quality appraisal and demanded repeated appraisal of the projects. According to the data of LIDA 19 project applicants had appealed against the

decisions. In March 2005 the Ministry of Economics reviewed 4 projects and concluded that all of them had been incorrectly appraised.²⁴

The Council of SMEs and Crafts has calculated that the initial amount of financing planned for *Consultation and participation of enterprises in international fairs and missions* was by 14 million lats larger than the companies that were in the market at the time would have been able to receive.²⁵ The entrepreneurs, when commenting upon it, voiced suspicion that “there was some kind of scheme invented how to spend so much money. They would have established ever new consultancy companies that would apply for the financing repeatedly. The same owners could circulate and receive the money again and again.” (Interview No. 12)

Conclusion

There are rather many deficiencies and imperfections found in the SF management system. Several experts of public governance indicate that these imperfections are not unique and that the whole system is a miniature reflection of the processes taking place in the public governance in general.²⁶ During the decision taking process stacks of documents are produced, the decision taking procedure as such is complex and lacks transparency, but the reality differs significantly from the aims and objectives set by the documents.

In the SF management the functions of policy making and policy implementation are not separated, the system of supervision and control is very weak. The State Audit has not adequate resources to carry out the supervision of the SF management system. Information of project tender and grant schemes is insufficient. The implementation of the national program projects lacks transparency.

It is possible that many of the system deficiencies are caused by lack of professionalism; however lack of order within the system creates opportunities for abusing it. For example, information on project tenders may come at the disposal of such people who are able to prepare their own projects sooner than the rest, and at the same time it is guaranteed that the first project applicants are the first to receive funding.

A more in-depth analysis of the complexity of the system is necessary, it puts obstacles to effective involvement of non-governmental organizations in the SF management and supervision, and restricts the access of journalists to the necessary information. Moreover, in the majority of cases institutions of public governance misinterpret the indications on ensuring openness, fairness and equal opportunities. Using the principles of openness and fairness as a pretext, complex and, in fact, intransparent systems are being developed, as the result the public governance develops distanced and disengaged relationship with the public.

The employees and the heads of the institutions as well as the system of public governance in general need cooperation with wider public, active communication, spreading of information, providing explanations of their decisions and a joint

agreement on the best model of the SF management, so that the entrepreneurs would not say: "It is completely different in the business environment. Here people *talk among themselves*." (Interview No. 9) Latvia is small state, where *everybody knows everybody else*, so it is difficult to limit the impact of cliques and clans. It can be decreased by introducing a more open and transparent model of the SF management and the public governance in general.

List of Interviews

1. Interview with a project applicant – entrepreneur in October 2004.
2. Interview with a former higher ranking state official in October 2004.
3. Interview with a NGO representative in November 2004.
4. Interview with a NGO representative in November 2004.
5. Interview with a business consultant in November 2004.
6. Interview with a project assessor in December, 2004.
7. Interview with a business consultant in January, 2005.
8. Interview a NGO representative in February, 2005.
9. Interview with a project applicant – entrepreneur in March, 2005.
10. Interview a NGO representative in March, 2005.
11. Interview a NGO representative in March, 2005.
12. Interview with a project applicant – entrepreneur in April, 2005.
13. Interview a NGO representative in May, 2005.
14. Interview with a business consultant in May, 2005.
15. Interview with a business consultant in May, 2005.

Participation in working groups and committee meetings

1. SF Monitoring Committee meetings in February and November, 2005 and in June, 2005 (3 meetings in total);
2. SF ERDF Steering Committee meetings in October, November, 2004 and January, March, April and May, 2005 (6 meetings in total);
3. SF Advisory working group at the Ministry of Finances in August, September and October, 2004 (3 meetings in total);
4. NGO Advisory working group for the participation in the SF Steering Committee meetings in August, September, October, November, December, 2004, January, February, March, April, May and June, 2005 (12 meetings in total);
5. The meeting of the Council of SMEs and Crafts SF Advisory working group in December, 2004;
6. Public debates on SF organised by NGO on February 3 and May 9, 2005;
7. The meetings for approving the draft Law on the SF Management in March and April, 2005 (5 meetings in total).

¹ Karīna Janova is the project manager of The Soros Foundation – Latvia project *NGO Involvement in the Planning of National Development: SF Monitoring and the Drafting of the National Development Plan*. Has worked at the TI Latvia – *Delna*, managing SF monitoring and analysis project. The author has a bachelor's degree in political science, specialising in international relations – European studies and a master's degree in sociology, specialising in the sociology of politics.

² Generally accepted method of qualitative research in sociology, which comprises the participation and the presence of the researcher in all observed processes. The conclusions on the process are made not only on the basis of the information obtained in interviews, collected quantitative data or other sources of study, but also the researcher's observations.

³ The SF Monitoring Committee consists of institutions, social partners, non-governmental organisations that are involved in SF planning and management and the representatives of the European Commission with advisory mandate. The MC meetings take place twice per year and they have the mandate to approve of supplements to the Program and to introduce amendments to it, to approve of the specific program and project appraisal criteria and to take decisions with regard on many other conceptual planning documents.

⁴ The institutions that are involved in SF planning and management and, in the status of observers, non-governmental organisations participate in ERDF Steering Committee. The SC meetings take place once a month and it has the mandate to approve national programs, the guidelines of open project tenders and grant schemes and application forms, and to decide other issues of ERDF financing allocation and management issues.

⁵ The non-governmental organisations The Soros Foundation – Latvia, the Centre for Public Policy *Providus*, TI Latvia – *Delna* and *Latvijas Pilsoniskā alianse* participated in the meetings for the approval of the draft law from March 25, 2005 to April 21, 2005. See: Janova, K. *Likumprojekts ir novēlots un pretrunīgs*. Latvijas Vēstnesis, 12.05.2005.

⁶ Programme Complement, Latvia Objective 1 Programme 2004–2006. http://www.esfondi.lv/image/upload/tiesibu_akti/PC%20-%202004%2005%2014.pdf Last accessed on 06.07.2005.

⁷ The opinion expressed during public debate *Viens gads ES struktūrfondu apgūšanā*. 03.02.2005.

⁸ Matisa, V. *Kliķes, klani, korupcija*. Diena, 23.04.2005.

⁹ Ibid.

¹⁰ The author's interview with A. Ūbelis, the Head of the Managing Authority, Deputy State Secretary, August, 2004.

¹¹ The notes collected by the author, based on the generally accepted practice of tenders organised by the European Commission.

¹² Data taken from:

http://www.esfondi.lv/image/upload/ak-saistosie_dokumenti/SF_apkopojums_15042005.pdf Last accessed on 04.07.2005.

¹³ The Cabinet of Ministers Regulations No. 782 "The Procedure of Submitting and Verifying Information on applying the VAT within the framework of projects co-funded by the EU SF and taking decisions on including the VAT into the eligible costs of the projects." Adopted on 07.09.2004. *Latvijas Vēstnesis*, 28.09.2004.

¹⁴ State support program *Support to the modernisation of commercial activities* sub-program *Improving commercial activities according to the demands of international standards* SSP, 2nd priority *Promotion of entrepreneurship and innovations* 2.2 measure *Development of infrastructure promoting entrepreneurship* 2.2.1 activity *Support to private infrastructure investments for the modernisation of production processes and products according to the market standards and demands with regard to environment protection, labour safety and protection of consumer rights (including the construction and reconstruction of buildings and purchase of the necessary equipment)*, Paragraph 2.4 of the Guidelines, 16.07.2004.

Guidelines from:

http://www.liaa.gov.lv/lat/atbalsta_programmas/infrastrukturmodernizacija/?doc=161
Last accessed on 06.07.2005.

¹⁵ Apermanis, A. *ES finansējums – vai ierēdņu izredzētājiem?* Diena, 26. 12. 2004.

¹⁶ A business consultant during the meeting of the Council of SMEs and Crafts with the Ministry of Economics and LIDA, 21.12.2004.

¹⁷ Interview No. 14 with a business consultant in May, 2005.

¹⁸ The SPD 2nd priority *Promotion of entrepreneurship and innovations* Measure 2.5 *Support to the development of applied sciences in state research institutions* Activity 2.5.1 *Support to applied research at state research institutions* guidelines. http://www.esfondi.lv/image/upload/ak-ES_strukturfondi_no_A_lidz_7/251.pdf Last accessed on 06.07.2005.

¹⁹ Adopted on 30.03.2004. *Vēstnesis*, 27.04.2004.

²⁰ Regulations of the Competition of Ideas, December, 2004.

²¹ Cabinet of Ministers Regulations No. 603 "Regulations regarding the Procurement Procedure and Procedures for the Application thereof to Projects Financed by a Commissioning Party." 13.07.2004. *Vēstnesis*, 03.08.2004.

²² Annex 5 to the SF Monitoring Committee minutes No. 5. 14.05.2004. http://www.esfondi.lv/image/upload/Vadibas%20komietjas/UK_5.pielikums.doc Last accessed on 07.07.2005.

²³ Latvia's West coast city Ventspils meant here.

²⁴ Source: The Answer of LIDA representative to a question put during the ERDF Steering Committee meeting. 16.03.2005. Unpublished.

²⁵ Source: The Letter of the Council of SMEs and Crafts to the Ministry of Economics. 15.09.2004. Unpublished.

²⁶ Materials of the conference *A Year with Structural Funds – Lessons Learned and Future Challenges* 5–6.07.2005. P. 2.

5. Survey of Latvian Population: Awareness Increases, Experience Slow to Change

Valts Kalniņš¹

In January 2005 two surveys of Latvian population, commissioned by the Corruption Prevention and Combating Bureau and TI Latvia – *Delna*, were carried out – “Experience in Encountering Problems of Corruption”² and “Attitude towards Corruption in Latvia.”³ These surveys that essentially make up one whole, is the first more extensive survey diagnosing corruption and the attitude of society towards corruption after the 1999 survey “The Face of Corruption in Latvia.”⁴ These surveys deserve special attention because this is the first opportunity after 1999 to find out whether and in what way the attitude of Latvian population towards corruption, the views (perception) on corruption and their own experience in encountering this phenomenon have changed. These data indirectly help to develop perhaps not a completely precise, but, nevertheless, a better substantiated impression whether the numerous and diverse anticorruption activities carried out in Latvia have left an impact upon the actual corruption situation.

This article is describing the changes that the published data reveal. It is in particular focusing upon five issues:

- in what way has the understanding of what corruption is changed among the population;
- in what way has the attitude of people towards corruption changed (views on the harmfulness of corruption, justifiability, etc.);
- in what way has the perception of the corruption situation among the population changed;
- in what way has the personal experience of people in encountering corruption changed;
- what conclusions with regard to the actual corruption situation in Latvia can be drawn from the 2005 survey data?

The article uses data from both surveys, without making a special distinction where a particular indicator has been taken from. Even though for the purposes of this article the survey data have not been analysed with the help of statistical methods, which would be a must for an analysis meeting strict research criteria, in order to get a sense of the significance or insignificance of changes indicated by the surveys of 1999 and 2005, a simple method for assessing statistical error has been used.⁵

Awareness

One of the survey objectives already in 1999 was to find out what Latvian population understood with “corruption.” This is an important issue, since we know what significance the media and experts put upon the indicators of perceived corruption. However, the concept of corruption does not have a completely uniform and generally accepted interpretation among the experts, not to speak about the general public. Therefore, for example, the statement that the perception of Latvian population about the level of corruption has reached level X, does not provide a clear answer what kind of phenomena are included in this level.

In 1999 and in 2005 the respondents were offered a list of various situations and they were asked to indicate which of them could be considered to be corruption. The list covered diverse situations, starting from “demanding additional unofficial payment for resolving a specific issue” to “a dishonest attitude of the employee towards his/her company” (in private business).⁶ In the survey of 2005 the first example was considered to be corruption by the majority of respondents, but the last one was recognised as such by a minority.

I shall break down the situations offered to the respondents into four categories – unofficial payments, nepotism (conflict of interests), misuse of property and unsatisfactory service. These categories do not cover all the situations offered to the respondents, but 17 out of 22.

Table 5.1.
Categories of Corruption in the Survey

Categories	Situations (17 out of 22 included in the survey)
Unofficial payments	<ol style="list-style-type: none"> 1. Demanding additional unofficial payment for resolving a specific issue. 2. A situation when an official accepts or demands unofficial payment to allow illegal activities. 3. A situation when an official accepts or demands unofficial payment not to impose penalty for a violation. 4. Additional unofficial payments to doctor for services paid for by the sickness fund or insurance company. 5. Unofficial payments to the institutions of education for enrolling the child at the institution.

Categories	Situations (17 out of 22 included in the survey)
Nepotism (conflict of interests)	<ol style="list-style-type: none"> 1. Finding for one's own relatives remunerative positions in state employment. 2. Ensuring diverse state and municipality procurements to one's relatives, companies managed by them. 3. Finding for one's friends and acquaintances remunerative job positions in state employment. 4. Settling different issues, using one's contacts with acquaintances and friends in other institutions.
Misuse of property/ allocation	<ol style="list-style-type: none"> 1. An official is granted lease rights to an apartment in a state or municipality owned house without observing the waiting-line for it. 2. Embezzlement of state property (resources). 3. Misuse of foreign loans. 4. The official uses the official car and other equipment for personal needs.
Unsatisfactory service	<ol style="list-style-type: none"> 1. Delaying examination of an issue – “dragging the time.” 2. Sending the visitors “from one office to the next” or from one institution to another. 3. Unjustified use of force in police work. 4. In an institution the visitors have to wait in long queues in order to meet the official.

Unofficial payments or bribery is the situation with regard to which there is the greatest and rather unchanging consensus as to its corrupted nature. Close to three fourths of the population consider such situations to be corruption, and this indicator has not changed much compared to 1999. Thus, Latvian population considers unofficial payments to be the main form of corruption. The following question might arise – is there a reason to get worried, since approximately one fourth of the population do not consider these situations to be corruption. However, it is difficult to find an answer to it, since there is no point of reference, i.e., data what kind of consensus on unofficial payments as corruption it is possible to achieve at all. (For this purpose the data of the surveys carried out in other countries should be analysed). Definitely the fact that one fourth of the population do not regard unofficial payments to be corruption, may serve as an incentive to continue implementation of other awareness raising activities.

The other group of situations has been described as nepotism. Nepotism as a concept is a specific type of conflict of interest. In the strict understanding of the word it refers to the situation when a person is using his official authority to get advantages – very often – jobs – for a family member or a friend.⁷ On the other hand, the simple definition of the conflict of interests is the following: A conflict of interest arises when a person, as a public sector employee or an official, is influenced by personal considerations when doing his or her job. Thus, decisions are made for the wrong reasons.⁸

The situations linked to nepotism or conflict of interest as a manifestation of corruption alongside the next group (misuse/misallocation of property) is the

next most significant category following the unofficial payments, judging by the share of people who consider it to be corruption. On average close to half of the respondents have considered such a situation to be corruption. However, even more important is the trend that compared to 1999 this is the group of situations with regard to which the most significant increase of respondents who regard this to be corruption has been observed. Taking into consideration the fact that the concept of conflict of interests in Latvia is rather new (a comprehensive legal regulation with regard to the conflict of interests was for the first time adopted only in 1995⁹), there is a clear cause why this trend – understanding of this phenomenon is only developing in Latvia. The survey data show that **an increasing share of population considers conflict of interest to be corruption. A similar trend observed in the views on the misuse/misallocation of property** most probably means that a large share of population now applies the word “corruption” to a broader range of offences committed by state officials (in difference to the conflict of interests, the assumption seems to be less believable that in 1999 people had perceived embezzlement of state property as a less harmful phenomena than at present.)

The average increase is smaller compared to the previous categories, but nevertheless the share of population who denote as corruption also unsatisfactory service, especially the so-called “dragging of time” and sending visitors “from office to the next” has grown significantly. However, disregarding the increase, the share of population who consider this phenomenon to be corruption is much smaller than with regard to the groups of situations discussed above.

Therefore it can be concluded that the level of corruption perception in Latvia in the period from 1999 to 2005 has remained rather unchanged. However, within this period **part of population has gradually started applying this concept to a broader range of phenomena; therefore the perception might have remained unchanged, even if the actual incidence of legally unacceptable actions of the officials has decreased.**

Attitude

The attitude towards corruption reveals the way population evaluate this phenomenon and its consequences – harm or positive impact, whether it is being justified or condemned. The comparison of the data of 1999 and 2005 surveys show that **the view on the harmfulness of corruption on the level of the state from the three fourths majority view in 1999 has grown almost to consensus in 2005.** In 1999 75.9% of the respondents fully agreed or rather agreed that Latvia would have achieved much more if there were less corruption in Latvia. In 2005 this share reached 86.1%. It is important that in this case the issue is impact of corruption on the national level, which might not coincide with the views of the population on the impact of corruption on the level of an individual.

The comparison of the data from 1999 and 2005 clearly shows that **the views of many inhabitants on the adverse impact of corruption on national**

level and attitude towards statements that justify corruption on the level of the individual do not coincide. The survey data do not prove changes in the attitude of the population towards such statements that directly or indirectly justify corruption or reduce the individual responsibility for corruption, for example: “corruption on lower levels will disappear only if corruption on higher levels is combated”, “the current system of state bureaucracy forces people to give bribes”, “corruption is justified in cases when a legal issue cannot be resolved otherwise”, “corruption is the only way for a business to survive”, etc. The changes in the share of the respondents who agree to these statements or rather agree most probably are not significant. It can be safely stated that the share of those who have agreed to the following statements: “corruption is a dishonest, but an unavoidable method” and “you cannot achieve anything without giving/taking bribes, because the whole system in the state is corrupted,” has decreased, even though the decrease is really small.

The surveys reveal a slight decrease in the share of those respondents which, in case they encountered difficulties in resolving a problem important for them, would definitely agree or would rather agree to give a bribe to an official to achieve the resolution of the problem (from 51.3% in 1999 to 47.8% in 2005). True, this does not allow stating with confidence that this decrease reflects a significant change in the total population of the country. This result shows that, unfortunately, **Latvia has not succeeded in achieving a greater resistance against bribery among population and against their own involvement in corruption, without coercive measures by the state.** It could be even said that the views of Latvian population on what is good and what is bad on the national level get increasingly more distant from considerations that people actually follow in real-life situations.

The above statement is confirmed by the fact that the significance (prevalence) of the deterring factors among the respondents has not changed almost at all. All the factors deterring from bribery that were offered to the respondents could be classified into two groups – ethical and pragmatic considerations. The most widespread factor deterring from bribery is outspokenly pragmatic or financial by nature, namely, “because of financial considerations cannot afford to give a bribe” (in 2005 this was indicated by 38.5% of the respondents). True, the next most widespread factor is ethical – “giving bribes is morally unacceptable, ashamed to give a bribe” (in 2005 – 34.6%). The only factor deterring from bribery, the prevalence of which among the respondents has increased so much as to exceed the margins of statistical error, is the fact that the officials are paid rather good salaries and there is no need to make additional payments to them (34.4% in 2005 versus 27.8% in 1999). The significance of two more deterring factors has increased rather substantially, these are also pragmatic by nature: “afraid to get caught and punished for unofficial payments” and “the civil servants are demanding increasingly larger unofficial payments.” Thus, the **share of people who could be deterred from giving bribes because of some significant factors has not increased almost at all. The importance of pragmatic factors has slightly** increased, which is linked to the estimate that officials are well remunerated as it is, fear from punishment and statement that the civil servants are demanding increasingly larger payments.

Perception

Within the period of five years the perception of corruption in Latvia, i.e., the views on corruption held by the population has not improved. This might have several important explanations:

- the personal experience of population in encountering corruption has not decreased (i.e., the level of the actual corruption has not decreased, see further on in this article);
- the intensity with which mass media report on corruption, on issues related to prevention and discussion thereof has not decreased (it is possible that correspondingly the actual corruption has not decreased either);
- people describe an increasingly broader range of situations as corruption (see above).

In general there have been no changes in the **disbelief held by the majority of people towards government's wish to fight corruption** (the prevalence of the view that Latvian government is interested in preventing corruption has increased only from 31.4% to 32.3%), and **the perception of the level of corruption among civil servants of Latvia has not improved.**

With regard to individual institutions, state institutions and companies the assessment of honesty has improved only for the public services companies "Latvenergo" and "Lattelekom." It has decreased significantly with regard to state (and local authorities') hospitals and out-patient clinics. The reasons for these changes could be two-fold. One could be linked to the changes in the way these companies and institutions work. Perhaps, with the business practices becoming stronger, the once existing bribery in relations with the employees of "Latvenergo" and "Lattelekom" has decreased. With regard to hospitals and out-patient clinics, in their turn, it means perhaps the fact, which is also identified in this survey, that the share of payments has increased within the informal relationships in this sector compared to 1999. At the same time it **cannot be excluded that the changes in perception are caused by changes in understanding – people have a better understanding of the company performance principles, but the corruption in health care recently has been the object of especially intense public attention.**

In general surveys allow concluding that **the perception of corruption level is slowly stabilising. In difference to 1999 a smaller share of people thinks that the corruption situation is getting worse**, more people think that the level is not changing. Thus the share of those respondents who consider that the incidence of high-level corruption problems during the past four years has increased has dropped from 50% to 40.5%. The share of those respondents has also decreased who consider that problems of bribery (low level corruption) have increased during the last four years (from 43.9% to 35.8%).

Experience

In the survey of 2005 18.9% of the respondents have admitted that they themselves had been forced to make unofficial payments to solve their problems. The survey of 1999 did not contain a similar question. Therefore this indicator is not compared.

Looking at the experience of people in specific sectors the survey again does not reveal significant changes in the experience people have when dealing with the majority of institutions. However, it should be noted that one of the reasons is the size of sample in the 2005 survey – 1003 (in 1999 it was 2001). In order to establish the number of respondents who have had to use connections, unofficial payments or barter in specific institutions or for carrying out specific activities out of this total number, only those answers of the respondents can be taken into account, which have had contacts with these institutions or sectors. As the result the number of respondents who answered to the questions on various sectors was small. This number was smallest with regard to state or local authorities' procurement (45), customs transactions (67) and dealings in court (80). Therefore it is difficult to assess whether the results of the survey indicate changes among the whole population compared to 1999.

Significant changes can be identified only in three sectors. Significant improvements are observed in relations with the Road Traffic Safety Directorate and Traffic Police (even though in the case of the Traffic Police unofficial payments or gifts in the value exceeding five lats during the past two years have still been made by 26.4% of the respondents). Significant decrease is observed also with regard to renewal or obtaining of passports, getting residence permit, processing invitation formalities – from 7.4% in 1999 to 1.8% in 2005. However, significant increase of the incidence of payments has taken place in health care – in out-patient clinics or hospitals (from 15.3% to 20.9%). However, with **regard to the majority of sectors it is impossible to conclude with certainty whether the changes in experiencing corruption among the survey respondents can be generalised and applied to the situation as a whole, i.e., whether these results are representative.**

The survey data also show rather widespread practice of getting issues solved when “you had to use your connections” (friends, acquaintances, etc.). Most probably it can be rather safely stated that people who have given affirmative answers to this variant of the answer have encountered some kind of informal practice in the said institutions. However, the data cannot be used for making more precise conclusions about the nature and the importance of this practice. **The fact that the respondents marked the answer “had to use” connections (friends, acquaintances) does not mean that they indeed “had to” do it in the meaning that without such connections it would have been impossible to resolve the issue at all or it would have been much more difficult. This answer as such does not indicate of violations or corruption** (if corruption is understood as violation of norms).

The only sector with regard to which it can be rather definitely concluded that the experience of the general population (not only among the respondents) has changed in using connections is with regard to renewing, obtaining of a passport, residence permits, processing the formalities of sending invitations. There the necessity to use connections has decreased from 8.7% in 1999 to 1.6% in 2005. Since in this sector a significant decrease was observed also with regard to unofficial payments or gifts, it can be rather safely concluded that **in this sector the incidence of informal or corrupted contacts has decreased.**

There is an interesting observation that cannot with full certainty be applied to all inhabitants who have had contacts with the specific sector, that is the **significant decrease in the incidence of using one's connections, which can be observed with the simultaneous increase of unofficial payments and gifts (in the value of 5 lats or exceeding 5 lats).** The most drastic increase of this trend is observed with regard to the participation of an employer, company in tenders to receive state or local authorities' procurement (the experience in using one's connections decreased from 24.7% to 9.2%, payments increased from 11.8% to 24,8%), and not as obvious, with regard to receiving treatment at outpatient clinics, hospitals (the experience in using connections decreased from 12.7% to 9.3%, the prevalence of experience in paying increased from 15.3% to 20.9%).

On the basis of the survey data indicating the share of population who have made unofficial payments or given gifts in the value of 5 lats or exceeding it, a certain, even though incomplete, impression of the number of unofficial payments/gifts in absolute numbers can be formed. It can be calculated, if the percentage of these respondents is turned into an absolute number, knowing the number of inhabitants.

Thus, for example, according to the survey data, in the course of two years **7.9% of Latvian population** in the age group from 18 to 74 years **have had dealings with courts.** In the age group from 19 to 70 years and older on January 1, 2005 there were 1 815 171 inhabitants.¹⁰ Assuming that out of these 7.9% have had contacts with courts, than in absolute numbers this is 143 398. During the last two years 12.9% of these people have had to make unofficial payments or give gifts in the value equal to or exceeding 5 lats. Thus, if each of these people has made only one unofficial payment or has given only one gift, then **in the course of two years 18 498 unofficial payments or gift taking might have taken place; 9249** annually. This number would be slightly larger, if the absolute number of inhabitants used in this calculation would include also the 18 years olds.

However, there are certain factors that limit the precision of this total number of payments or gifts: the share of the respondents who have made the payments does not reflect precisely the exact share among all inhabitants; part of the inhabitants might have made repeated payments or given gifts in a year (then the number of transactions would increase); there is not guarantee that the respondents, when answering the question with regard to the two year period, remembered correctly if they have made payments/given gifts during these two

years (in reality it might have happened earlier). However, this kind of calculation allows forming an impression of the significant and shocking number of transactions that in some sectors hide behind seemingly small percentage. 130 000 people who have given bribes or gifts to the Traffic Police is psychologically more frightening than the numerically seemingly small percentage – 26.4%. The results of the calculations made for all the sectors covered by the 2005 survey are included in the table below.

Table 5.2.
The possible number of inhabitants who within the last two years have made unofficial payments or given gifts in the value equal to or exceeding 5 lats

Sector	The percentage of respondents, who have had contacts with these sectors	The number of people from the general population corresponding to this %	The percentage of respondents among the ones who have had contacts with this sector, who have made payments/given gifts in the value equal to or exceeding 5 lats	The number of inhabitants who during the last two years have made payments/given gifts in the value equal to or exceeding 5 lats
Renewing or obtaining a passport, receiving of residence permit, processing invitation formalities	30.8	559 051	1.8	10 063
Resolving issues at the State Revenue Service	24.1	437 439	1.6	6 999
Registration of vehicles or technical check-ups of the vehicles (RTSD)	31.1	564 496	8.9	50 240
Resolving issues with the local authorities	36.1	655 251	3.6	23 589
Contacts with State Police	9.5	172 434	5.2	8 967
Enrolment at school, kindergarten or university	22.6	410 213	5.7	23 382
Resolving issues at court	7.9	143 393	12.9	18 498
Resolving real estate related matters	41.3	749 636	10.2	76 463
Customs transactions	6.7	121 612	19.5	23 714
Receiving treatment at out-patient clinics, hospitals	65.7	1 192 521	20.9	249 237
Receiving permits, licences	8.9	161 544	19.0	30 693
Getting employment in state or local authorities; institutions	15.7	284 971	9.4	26 787
Participation of an employer, company to get state or local authority procurement	4.5	81 679	24.8	20 256
Contacts with Traffic Police	27.2	493 707	26.4	130 339

Conclusions on Corruption Situation in Latvia

The survey data show that the lowest level corruption is still a widespread practice in Latvia. No data of the two surveys reveal the actual corruption situation with full precision. However, if the respondents are asked to answer about their own experience, there is little probability that those who have not give bribes would lie in asserting the contrary. Thus, if these indicators of corruption experience are not a precise reflection of the general situation, then, unfortunately, they show the situation in a better light, not worse than the reality.

The large number of corruption transactions also means that it is difficult to reach such capacity in fighting corruption that could dramatically increase the mathematical probability of detecting each individual corrupted transaction. The number of such transactions is too large. Therefore with a comparatively smaller number of detected corruption cases but more significant as to the nature and the probable harm of the corruption transaction, an atmosphere of risk should be created towards the persons who are involved in large scale corruption transactions. This would be a way of convincing the public that the anticorruption efforts of the state are serious enough, even if the mathematical probability of getting caught in an ordinary, lower level corruption transaction is not too large. It is important to direct the anticorruption effort not only against people involved into the lowest level corruption transactions (which, of course, is also important), but against persons upon the functioning of which a whole corruption network depends. The fact that the numerically major part of corruption transactions most probably will remain undetected in particular proves the need of corruption prevention measures.

The perception of corruption in Latvia remains high. However, it should be taken into account that part of the population has started applying the term "corruption" to a broader range of phenomena. For example, in 2005 more inhabitants called the conflict of interest as corruption compared to 1999. Therefore the perception of the prevalence of corruption might remain unchanged even if the actual incidence of legally unacceptable actions on the part of state officials would decrease.

The majority of people are aware of the harm inflicted by corruption on the national level, but it seems that this factor alone is not enough to deter people from getting involved in corruption on individual level. This difference is related to a wider issue of the perception among people of the link between national or state level phenomena with the issues that individuals perceive as topical in their life. The possible ways of eliminating this gap is a wider question that goes beyond the topics of the given surveys.

One fact deserves special attention, namely, that not only from the perspective of formal policy, but also in the perception of people one particular institution in Latvia has a prominent role to play in preventing and combating corruption –

the Corruption Prevention and Combating Bureau. The positive fact is that this institution has gained very high trust, untypical of law enforcement institutions in Latvia. When assessing the honesty of various institutions, people have given much more positive appraisal of the CPCB than to the Municipal Police, the State Police, courts and the Traffic Police.¹¹ This view among the inhabitants is an important precondition allowing CPCB to implement effective anticorruption policy. The negative aspect is that almost unchanging part of the population lays the main responsibility in fighting corruption on the government. Only in difference to the data of the 1999 survey now a significantly larger part places this responsibility upon CPCB. Under the conditions when corruption, unfortunately, is still a phenomenon involving a rather significant part of society, the responsibility for decreasing it should be more dispersed, not limited just to one institution of governance. This conclusion coincides with the view of the professor Rasma Kārklīņa: "Anti-corruption work by public administrators and high officials can help, but in the long run the mobilization of democratic forces from below and the forging of civil society is the decisive way to contain corruption in a democracy."¹²

¹ Valts Kalniņš in 2003 received doctor's degree from the University of Latvia in political science. From 1994 to 1997 was studying political science at the University of Oslo, Norway. Since 1998 has been engaged in corruption research at the Latvian Institute of International Affairs and since 2003 at the Centre for Public Policy *Providus*. He is the author of the books *Tiesu vara un korupcija* (2001) [Judicial Power and Corruption], *Korupcijas novēršanas politika Latvijā: problēmas un izredzes* (2002) [Latvia's Anticorruption Policy: Problems and Prospects], *Parlamentārā lobēšana starp pilsoņa tiesībām un korupciju* (2005) [Parliamentary Lobbying between Civil Rights and Corruption].

² The summary report of this survey that was commissioned by the Corruption Prevention and Combating Bureau is available from: http://www.knab.gov.lv/uploads/pdf/ledzivotaju_pieredze_2005.pdf Last accessed on 03.06.2005.

³ The report of this survey that was commissioned by the TI Latvia – *Delna* is available from: http://www.politika.lv/polit_real/files/lv/atskaite_korupcija_Delna012005.pdf Last accessed on 03.06.2005.

⁴ This study is available from: http://www.politika.lv/polit_real/files/lv/k-seja.pdf Last accessed on 03.06.2005.

⁵ A table for assessing statistical error was used that is included in the report *Attieksme pret korupciju Latvijā*. Latvijas iedzīvotāju aptauja. 2005. gada janvāris. P. 5. [Attitude towards Corruption in Latvia. Survey of Latvian Population. January, 2005, p. 5.] http://www.politika.lv/polit_real/files/lv/atskaite_korupcija_Delna012005.pdf Last accessed on 03.06.2005.

⁶ The situation "the dishonest attitude of the employee towards the company he works in (private business)" was included only in the survey of 2005.

⁷ See: *TI Source Book 2000*. Chapter 21: Conflict of Interest, Nepotism and Cronyism. <http://www.transparency.org/sourcebook/21.html> Last accessed on 03.06.2005.

⁸ *Ibid.*

⁹ Korupcijas novēršanas likums. Pieņemts 21.09.1995. Zaudējis spēku no 10.05.2002. [The Law on Preventing Corruption. Adopted on 21.09.1995. Revoked on 10.05.2002.] *Vēstnesis*, 11.10.1995.

¹⁰ Data taken from the web page of Office of Citizenship and Migration Affairs (OCMA): www.pmlp.gov.lv The number of inhabitants is indicated, counting inhabitants starting from the age of 19, not 18, since OCMA records adult inhabitants starting with the age of 19, and these data do not allow establishing the number of 18 year olds.

¹¹ The assessment was done in the system of five points, 1 – “very honest,” but 5 – “very dishonest.” The mean assessment of the mentioned institutions was as follows: CPCB – 2.7; Municipal Police – 3.29; the State Police – 3.53; courts – 3.54; the Traffic Police – 3.94.

¹² Karklins, R. *The System Made Me Do It. Corruption in Post-communist Societies*. M. E. Sharpe (2005). P. 162.

6. Annex

Quantitative Overview on Combating Corruption in Latvia, 2003–2004

This annex offers, to the extent it is possible, a systematic insight into the trends identified in combating corruption in Latvia. Even though the report *Corruption '0C* in general covers the first half of the year 2005, the processing of statistical information needs more time. Therefore this chapter does not include the data of 2005 yet, but information on 2003 and 2004. The collected information provides data on the number of criminal cases initiated, the number of charges made and the number of persons convicted, as well as on the punishments imposed, institutions where the convicted persons worked as state officials and the amount of money in cases involving bribery. It has to be taken into account that the various indicators are not mutually comparable, because, for example, the number of criminal cases initiated in a year is not the same as the ones that have been examined in courts.

Table 6.1.
Criminal cases initiated in 2003 and 2004 according to the articles of Criminal Law and the crimes established by them

CL Articles	Number of criminal cases	
	2003	2004
317. Exceeding official authority	29	38
318. Using official position in bad faith	48	22
319. Failure to act by a state official	20	33
320. Accepting bribes	23	23
321. Misappropriation of a bribe	3	2
322. Intermediation in bribery	6	5
323. Giving of bribes	9	19
325. Violation of restrictions imposed on a state official	–	–
326. Unlawful participation in property transactions	–	–
326. ¹ Trading with influence	–	–

327. Forging official documents	15	9
328. False official information	–	–
329. Disclosure of confidential information	–	1
330. Disclosure of confidential information after leaving office	–	–
The total number of criminal cases	119	140

Source: Corruption Prevention and Combating Bureau. The total number of criminal cases is not the same as the sum of the said column, since in some criminal cases crimes were committed that are dealt with by several Articles of the CL. For example, there might be two crimes in one criminal case, one – accepting bribes, the other – using official position in bad faith. In such an instance the same criminal case is indicated in two rows.

Table 6.2.
The number of persons who have been charged with criminal offences according to the primary crime committed

CL articles	Persons	
	2003	2004
317. Exceeding official authority	18	21
318. Using official position in bad faith	31	19
319. Failure to act by a state official	16	14
320. Accepting bribes	23	21
321. Misappropriation of a bribe	4	4
322. Intermediation in bribery	8	5
323. Giving of bribes	9	20
325. Violation of restrictions imposed on a state official	–	1
326. Unlawful participation in property transactions	–	–
326. ¹ Trading with influence	–	–
327. Forging official documents	12	9
328. False official information	–	–
329. Disclosure of confidential information	–	–
330. Disclosure of confidential information after leaving office	–	–
Total:	121	114

Source: Information Centre of the Ministry of Interior. It has to be taken into account, than not all of the charges have been brought as part of the criminal cases indicated in table 6.1. For example, in 2003 there might be criminal charges in criminal cases that were initiated in 2002 and even earlier, and in criminal cases that were initiated in 2004 charges might be brought in 2005 or even later. This table includes only the charges in which the respective article is the primary crime, which may be the first, according to which a criminal case was initiated, or the most severe one – it seems that in official documentation there is no clear-cut understanding which of the crimes is the so-called primary crime. Against the persons whom charges have been brought against according to these articles of CL, charges can be brought also according to other articles that are not reflected in this table. On the other hand, with regard to persons against whom charges have been brought for other primary crimes, additional charges can be brought also for crimes committed while being in public service. Neither do these crimes appear in Table 6.2.

Table 6.3.
Persons who have been convicted for crimes in public service and the punishments (2003)

	The article of the Criminal Law (Criminal Code)	Persons convicted/total number	Primary punishment – deprivation of liberty				Other primary punishments		Released from punishment
			Up to 1 year	1-3 years (including)	3-5 years (including)	Suspended	Fiscal fine		
Exceeding official authority	317 (162.-1)	8	-	3	-	1	1	3	
Using official position in bad faith	318 (162)	10	-	1	-	5	4	-	
Failure to act by a state official	319 (163)	11	-	1	-	9	1	-	
Accepting bribes	320 (164)	20	-	4	1	15	-	-	
Intermediation in bribery	322 (164-1)	1	-	1	-	-	-	-	
Giving of bribes	323 (165)	3	-	1	-	2	-	-	
Forging official documents	(166)	1	-	-	-	-	1	-	

Source: The Ministry of Justice.

Table 6.4.
Persons who have been convicted for crimes in public service and the punishments (2004)

	The article of the Criminal Law	Persons convicted/total number	Primary punishment – deprivation of liberty				Other primary punishments		Released from punishment	Coercive measures of medical character
			Up to 1 year	1-3 years (including)	3-5 years (including)	Suspended	Fiscal fine	Including suspended fiscal fine		
Exceeding official authority	317	5	-	-	-	3	2	-	-	
Using official position in bad faith	318	14	-	-	-	8	6	-	-	

Failure to act by a state official	319	7	-	-	-	5	2	-	-	-
Accepting bribes	320	27	-	6	2	18	1	-	-	-
Misappropriation of a bribe	321	2	-	-	-	1	1	1	-	-
Intermediation in bribery	322	4	-	1	-	2	-	-	1	-
Giving of bribes	323	12	-	-	-	9	1	-	2	1

Source: Court Administration.

To form an impression from which sectors the state officials have been most frequently caught in corruption, what is the financial significance of corruption cases for which the state officials have been convicted, and what is the most widespread type of corruptive activities, for the purpose of this review all the city/district and regional courts were requested copies of the judgements in criminal cases when the persons were convicted for criminal offences in public service in the years 2003 and 2004. Out of 39 courts to whom the request was sent, the copies of the judgements or the answers about the absence of convictions for such criminal offences during this period of time were received from 35 courts (including all regional courts). The data collected below, even though are not totally complete, still clearly show the break down of the state officials convicted during this period according to the state and local authorities' institutions and the money amounts in bribery related cases. 62 judgments of the first instance courts have been used.

Table 6.5.
State officials convicted for criminal offences in public service by institutions: 2003–2004

Institution	Number of convicted persons (unless indicated otherwise - lower ranking officials, not in leading positions)
State Police	42 (including 2 Traffic police officers, 2 heads of departments, 1 deputy-head of a department, 1 deputy head of a police station)
Municipal Police	7
State Border Guard	8 (including 1 head of a department)
Customs	7 (including 1 head of a sector)
Prosecutor's office	3 (prosecutors)
Institutions of education	3 (rector, 2 directors)
State Environment Inspection	1 (head)
Land Register department	1 (judge)
National Armed Forces, Depot of Material Technical Means	1 (acting head)

Municipal company	1 (director)
Custody court/Community Service	
Supervision Board	1 (chairperson/head)
State Social Insurance Agency	1
State Forestry Service	1
Security Company	1 (an employee who was delegated the mandate of a municipality official)
Total	78

Table 6.6.
The size of bribes in criminal cases in which the state officials have been convicted according to the CL Article 320 (accepting bribes), Article 321 (misappropriation of a bribe), Article 322 (intermediation in bribery): 2003–2004

The total size of the bribe per one criminal case	Number of criminal cases
From LVL 1 to LVL 50	8
From LVL 51 to LVL 100	3
From LVL 101 to LVL 250	7
From LVL 251 to LVL 500	4
From LVL 501 to LVL 1000	5
From LVL 1001 to LVL 2000	5
From LVL 2001 to LVL 3000	–
From LVL 3001 to LVL 4000	1
From LVL 4001 to LVL 5000	–
From LVL 5001 to LVL 10 000	2
From LVL 10 001 to LVL 15 000	1
From LVL 15 001 to LVL 20 000	–
From LVL 20 001 to LVL 30 000	1
Total	37

Sagatavota iespiešanai SIA "Nordik". Reg. apl. Nr. 2-0792. Adrese – Daugavgrīvas ielā 36–9, Rīgā, LV-1048, tālr. 7602672. Iespiesta un brošēta tipogrāfijā "Imanta".