

Latvia

A report by Alexandru Rusu

Hertie School of Governance

Latvia stood still in the past two years. As an overall conclusion, the corruption diagnosis identified by a KNAB 2008 report seems still accurate today. Thus, on one side, petty corruption is diminishing and at the same time grand corruption is developing.

1. Corruption overview

Drawing on the indicators used by international monitoring organizations, corruption appears as an important governance problem in Latvia (Figures 1 and 2). One visible evolution is the 2008-2009 backlash in the fight against corruption, indicated by worse scores than in the previous years. In fact, Latvia currently seems to have returned to the corruption level it had when it joined the EU in 2004.

Figure 1: Corruption perception in Latvia

Latvia	2003	2004	2005	2006	2007	2008	2009
TI, Corruption Perception Index *	3.8	4.0	4.2	4.7	4.8	5.0	4.5
Eurobarometer, Attitudes towards Corruption Survey **	n/a	n/a	79	n/a	82	n/a	84
TI-Latvia Delna, Corruption perception survey ***	n/a	n/a	52	n/a	58	n/a	58

* 10 points scale with a higher number being less corrupt

** The table shows the percentages of “totally agree” and “tend to agree” answers to the question: “Corruption is a major problem in your country”. Thus a higher value indicates a higher level of perceived corruption.

*** The table shows percentages of population answering “not personally touched by corruption” when asked “What kind of corruption you've personally experienced in the past 2 years?”. Thus a higher value indicates a lower level of perceived corruption.

Figure 2: Corruption assessment in Latvia

Year	1996	1998	1999-2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Freedom House, Nations in Transit*	n/a	n/a	3.50	3.50	3.75	3.50	3.50	3.50	3.25	3.00	3.00	3.25
World Bank, Worldwide Governance Indicators**	28	62	59	n/a	60	64	63	67	68	68	65	n/a

* 7 points scale with a higher number being more corrupt

** 100 points scale with higher values indicating a better control of corruption

Indicators measuring the level of democracy and the quality of the judiciary have similar low values in Latvia. According to the Economist Intelligence Unit's Democracy Index Latvia is still a flawed democracy while the Nations in Transit Democracy score has in 2009 the same value as in 2004 (2.17 vs. 2.18). The overall Integrity Scorecard value of 84, which is indicative of a strong level of integrity, shows that key anti-corruption safeguards exist in Latvia. However, when correlated

with the high levels of corruption, this score might also suggest window-dressing and poor enforcement.

Figure 3: Freedom House’s assessment of the Judicial Framework and Democracy in Latvia

	1999-2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Judicial Framework and Independence	2.00	2.00	2.00	2.25	2.00	1.75	1.75	1.75	1.75	1.75
Democracy Score	2.29	2.21	2.25	2.25	2.17	2.14	2.07	2.07	2.07	2.18

Source: Freedom House, Nations in Transit Report, 2009

Note: 7 points scale with a higher number indicating a worse position.

Figure 4: Economist Intelligence Unit’s assessment of Democracy in Latvia

	2006	2008
Rank	43 of 167	46 of 167
Type	flawed democracy	flawed democracy
Overall score	7.37	7.23
Eastern Europe Average	5.76	5.68

Source: Economist Intelligence Unit, Democracy Index

Note: 10 points scale with a higher number indicating a higher level of democracy. Scores of 6 to 7.9 indicate a flawed democracy.

Figure 5: Assessment of Latvia’s integrity, 2007

Anti-Corruption and Rule of Law	85	Strong
Anti-Corruption Law	100	Very Strong
Anti-Corruption Agency	87	Strong
Rule of Law	75	Moderate
Law Enforcement	79	Moderate
Administration and Civil Service	85	Strong
Civil Service Regulations	88	Strong
Whistle-blowing Measures	81	Strong
Procurement	88	Strong
Privatization	84	Strong

Source: Global Integrity, Integrity Indicators Scorecard 2007

Note: 100 points scale with a higher number indicating a better score. Scores of 90 to 100 are considered “Very Strong”, 80 to 89 “Strong” and 70 to 79 “Moderate”.

1.1 Type of corruption

Concerning the type of corruption, state capture has been associated with Latvia for more than a decade (see Box 1). According to a World Bank study, at the end of the 1990s Latvia was suffering from a severe case of state capture, or excessive influence of oligarchs over political parties and the media. This diagnosis

was reconfirmed as Latvia's main corruption problem by subsequent international observers, including the last assessment before EU accession when corruption requirements were only "partially" met. However, an improvement can be noted, the 2010 Bertelsmann Transformation Index (BTI) acknowledging that "despite a tendency for informal, back-room dealing [...] there is a basic commitment to democracy among elites".

Box 1. State capture – a constant problem in Latvia

According to a 1998 World Bank report: "[E]conomic power in Latvia has become concentrated in a small number of conglomerates. Business and political interests have become intertwined in a complex and non-transparent way, and businesses are increasingly active in political parties. Excessive concentration of economic power, due in part to weak enforcement of competition legislation, drains efficiency from the economy and presents the risk that Latvia could become prone to high-level corruption" (J. Anderson, *Corruption in Latvia*, p. 22.)

According to the 2000 Latvia Human Development Report by UNDP, the political decision-making process is characterized by informal processes that take place outside official structures, in which private actors with interests in legislative results have considerable hidden influence.

In a 2001 interview Inese Voika, the Head of TI Latvia, acknowledges that "there is a lack of transparency in decision-making, as many decisions are actually not taken within official power structures, but rather through "private deals" struck in intertwined political-economic clusters where there is room for corruption". (Ieva Raubiško, *Letting in the sunshine*, 2001)

Even in the last report monitoring Latvia's preparation for EU membership, in 62 pages the word "corruption" is used 42 times, the country is assessed as only "partially meeting the commitments and requirements for membership" in relation to corruption, and high-level corruption is highlighted. (Comprehensive monitoring report on Latvia's preparations for membership, 2003)

A 2006 KNAB commissioned report notes as characteristics of Latvian politics the existence of "political entrepreneurs" and "political patronage" but it also admits that the links between wealth and political power in Latvia are not so blatantly as in Russia or Ukraine. However, the use of money-power manifests itself in Latvia through donations to political parties, ownership and shareholdings in major newspapers and payments to individual politicians. (Pinto-Duschinsky 2006)

After almost 10 years the World Bank study, the November 2007 Economist Intelligence Unit's country report acknowledges the same type of corruption: "Underlying the recent crisis [the attempted dismiss of the KNAB's head] is the prevalence of high-level corruption in Latvian politics, which has long been vulnerable to "state capture"—excessive influence on the legislative process by certain business interests. [All the parties forming the current governing coalition] to a considerable extent represent the interests of certain powerful sponsors."

In January 2009 the outgoing US ambassador placed corruption and upholding the rule of law among Latvia's greatest challenges. (US Embassy website 2009)

The 2010 Bertelsmann Transformation Index report notes that "[i]nformal economic and business interests, with their close financial ties to political parties, are far more influential than formal ones".

There is also agreement as to the main cause of state capture in Latvia, which is the weakness of party financing legislation. Thus parties are entirely financed by private funds placing them under the control of wealthy patrons. A 2002 OSI report quotes an investigative journalist to describe how the process works: "companies that wish to influence legislation use a network of PR firms with connections to politicians and political parties, which systematically mediate payoffs to parties and individuals. No cases of such activities have been proven, but the passage of a number of laws has raised suspicion". (OSI 2002, pp. 321-322)

Alongside state capture which corresponds to grand corruption, other forms of corruption have also been documented in Latvia. According to a 1998 UNDP report "soft corruption [is] fairly widespread" while a 2003 Sigma assessment notes that "the majority of corruption cases in the public service are petty [...] and are mainly found at the service delivery level". However the "bribing expenses" constituted 1.4 percent of the companies' annual turnover in Latvia, much lower than the average 2.2 percent in CEE countries according to a World Bank 2000 survey. Other reviews point to public procurement as a "serious and widespread problem" (Sigma 2003) and to the "small corruption [in] the health care system" (BTI 2008).

Judiciary corruption is documented in Bertelsmann Transformation Index reports. Thus the 2008 report notes that "If one is involved in any kind of trial and does not offer a bribe, it is not certain that one's case will be reviewed on time and according to the law. Trials can be delayed or penalties can be weakened for those who have the means to influence procedure, while ordinary people might be punished more severely. In politically difficult cases, judges may try to avoid involvement in the final judgment." The 2010 report suggests an improvement based on jail convictions of judges and lawyers: "The formal independence of the judiciary is compromised by a widespread perception of judicial corruption, seemingly confirmed by the lengthy terms of imprisonment imposed on of two

judges in 2008. Moreover, in 2007 a best-selling book revealed corrupt, illegal, and off-the-record conversations between judges and lawyers, which led to the resignation of several judges and an investigation by the prosecutor’s office”.

From an institutionalist perspective there is still a long way to reaching universalism in Latvia. Thus the BTI 2008 report remarks that paternalist notions of politics and public disaffection are widespread and that politics is dominated by particularist interests. The simplest proof of this status quo is the fact that despite the public’s perception of high levels of political corruption in Latvia, no national politicians have yet been held to account in a court of law.

2. Civil society overview

One clear trend that can be identified drawing on the scores assessing the civil society and media in Latvia is the worsening values starting with 2008.

Figure 6: USAID’s assessment of NGO sustainability in Latvia

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
NGO sustainability	3.6	4.2	n/a	2.8	2.9	2.8	2.7	2.6	2.6	2.6	2.7	2.7
Legal environment	5.0	4.0	n/a	3.0	3.0	2.8	2.6	2.4	2.4	2.4	2.4	2.4
Organizational capacity	3.0	4.0	n/a	2.6	3.3	3.0	2.9	3.0	3.0	3.0	3.0	3.0
Financial viability	3.0	5.0	n/a	3.5	3.5	3.5	3.3	3.1	3.1	3.0	3.2	3.3
Advocacy	4.0	4.0	n/a	3.0	2.2	2.0	2.0	2.0	2.0	2.0	2.0	2.3
Service provision	n/a	n/a	n/a	2.5	2.4	2.5	2.5	2.4	2.4	2.4	2.4	2.5
Infrastructure	n/a	n/a	n/a	3.0	3.0	3.0	2.8	2.7	2.7	2.6	2.5	2.4
Public Image	3.0	4.0	n/a	2.0	2.7	3.0	2.8	2.9	2.9	2.9	3.1	3.3

Source: USAID, NGO sustainability index

Note: 7 points scale with higher number being less sustainable. Scores of 1 to 3 indicate “consolidation”, scores of 3 to 5 “mid-transition” and scores of 5 to 7 “early transition”.

Figure 7: Freedom House’s assessment of Civil Society and Independent Media in Latvia

	1998	1999-2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Civil Society	2.25	2.25	2.00	2.00	2.00	2.00	1.75	1.75	1.75	1.75	1.75
Independent Media	1.75	1.75	1.75	1.75	1.75	1.50	1.50	1.50	1.50	1.75	1.75

Source: Freedom House, Nations in Transit Report 2009

Note: 7 points scale with a higher number indicating a worse position.

Figure 8: Freedom House’s assessment of Freedom of the Press in Latvia

Year	2002	2003	2004	2005	2006	2007	2008	2009
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Status	Free							
Legal Environment	2	7	7	5	6	6	6	6
Political Influence	7	5	4	6	7	6	8	8
Economic Pressures	10	6	6	6	6	7	8	9
Total Score	19	18	17	17	19	19	22	23

Source: Freedom House, Freedom of the Press

Note: Legal Environment - 30 points scale, Political Environment - 40 points scale, Economic Environment - 30 points scale, Total Score 100 points scale. Lower values indicate higher freedom of the press. Total Scores of 0 to 30 indicate a "Free" press.

2.1 Civil society strength

Beyond a handful of vigorous organizations, Latvia's civil society remains weak, and leading media are (with some notable exceptions) often themselves in the pockets of vested interests. The primary anti-corruption vehicles in Latvia are two civil society organizations and a journal. Transparency International chapter, Delna, has emerged as the most well-known NGO in Latvia in a 2005 independent survey and is considered very effective in raising public awareness. The Centre for Public Policy Providus, a think tank off-shoot from the Soros Foundation-Latvia, is a more policy orientated anti-corruption NGO. The daily Diena is widely seen as an independent journal, having supported the fight against corruption. This small but vocal civil society sector has tried to bring a much-needed scrutiny to Latvia's politics (see Box 2).

Box 2. Examples of civil society's strengths and weaknesses in anticorruption work

In 2004 Delna organized demonstrations and successfully went against the ruling coalition and the president to oppose the appointment of the Parliament's speaker, Ingrida Udre, as the Latvian European Commissioner. Delna contested the method of selection and the candidate's integrity for office. Another sign of civil society strength is noted by USAID in 2005, when several cases won by NGOs in the Constitutional Court are seen as a sign that "the judiciary understands the role of NGOs in ensuring good governance". The same source notes that during 2006 many NGO representatives have provided their expertise in mass media on issues like fighting corruption and played an important role in discussions related to the 2006 elections. However, civil society's "finest hour" in Latvia is the successful protest campaign organized in the fall of 2007 against the unfair decree of the prime minister to fire the Director of the Bureau of Fight against Corruption (KNAB). The so called "umbrella revolution" (because protesters used umbrellas in the rainy weather) gathered about 10.000 people at the largest rally. The result of the

demonstrations was that instead of dismissing the head of the agency, the government fell and the prime minister had to leave his post. Unfortunately this did not prove a decisive victory for Latvian democracy.

Despite this successful protest the chief of the KNAB was dismissed in June 2008 by the next prime minister and the right of civil society to be engaged in the expert commission charged with selecting the next head of KNAB was contested by the Minister of Interior. This only shows that even relatively strong organizations appear to lack the ability to ensure their participation in the decision-making process. This state of affairs is documented by the Bertelsmann Transformation Index 2008 report which notes that although there are procedures established to take civil society actors into account, the civil society's weakness facilitates the government's tendency to ignore it. The 2010 edition of the same report explains this weakness through the resentment of Soviet era voluntarism, the strains of the economic transition which have left people with scanty financial resources and little free time and the withdrawal of international donors after EU accession.

2.2 Civil society reputation

Civil society's reputation in Latvia is mixed. On one side, TI chapter-Delna is well-regarded by partners, both domestic and foreign, and seemingly respected by government and by its critics as well, while Providus is appreciated for its expertise having kept its objectivity even when working for Government contracts¹.

However, the public image of NGOs is not uniformly positive. The success of Providus and Delna in promoting a more open democracy and their close watch on election expenses brought attacks from Latvian oligarchs. Thus, in 2006 and 2007, one of the daily newspapers associated with the oligarchs, Neatkarīga Rita Avize, conducted a smear campaign against the Soros Foundation, claiming that it was anti-government. The conservative media created and promoted the image of NGOs as foreign agents who implement the secret plans of their donors against traditional Latvian values and the nation state. These stereotypes were promoted also by conservative politicians. This anti-NGO campaign left a negative impression in society regarding NGOs.

Moreover, the unbalanced attitude and actions of the coalition governments led by Aigars Kalvītis between 2004 and 2007 has negatively affected NGO public image. For example, despite events such as the Parliament-NGO Forum and invitations from the Prime Minister for NGOs to discuss their issues with government ministers, the Speaker of Parliament undermined NGOs by requesting them to refrain from criticizing Parliamentary decisions, while the Prime Minister publicly denounced NGOs as troublemakers. (USAID 2007) Additionally, in 2006, Transport Minister Ainars

¹ For example KNAB financed some of Providus activities in the past (but that did not stop Providus from criticizing their work). Providus also did corruption risk analysis for Naturalization Board, which was not very happy with some recommendations/conclusions. (Partnership for Transparency report 2005)

Slesers proposed (unsuccessfully) new legislation limiting the scope of operation for NGOs funded by foreign donors which would have largely neutered the civil society organizations that advocate for transparent and open government, who survive largely from foreign donations, particularly Soros.

The most notable anticorruption event linked with Latvia is the civil society coordinated campaign in support of the Corruption Prevention and Combating Bureau (KNAB) that led to the fall of the government (see Box 5). Analyzing the project database of anticorruption projects that accompanies this report the following comments can be drawn:

- The first anticorruption projects focused on awareness-raising and research
- Most of the funded projects are research and monitoring projects
- The main anticorruption NGOs are TI Latvia – Delna and the Center for Public Policy Providus
- The main donors are Soros Foundation Latvia and the Baltic American Partnership Program

Boxes 3 and 4 present the anticorruption heroes and antiheroes that could be identified from the sources reviewed.

Box 3: Anticorruption heroes

Activists:

- Valts Kalnins, Senior Researcher, Providus, “Latvia’s greatest specialist on corruption and editor of the semiannual report on corruption” (Freedom House 2007)
- Inese Voika, former Delna Chairman; quoted as relevant figure in anticorruption by Baltic American Partnership Program (BAPP)
- Roberts Putnis, former Delna Chairman; quoted by BAPP
- Lolita Cigane, current Delna Chairman; quoted by BAPP
- Vita Terauda, Director, Providus Centre for Public Policy, former head of Soros Foundation, Latvia; quoted by BAPP

Academia:

- Rasma Karklins, Prof. Dept. of Political Science, University of Illinois at Chicago, University of Latvia, expert on region and corruption issues, book: The system made me do it;
- Juris Dreifelds, Political Science lecturer, Brock University, Ontario, author of many chapters and articles on the Baltic area; book: Latvia in Transition, author of the Nations in Transit reports for Latvia

Prosecutor:

- Aleksejs Loskutovs, head of KNAB (2004-2008), dismissed for his unexpected efficiency in tackling corruption

Journalists:

- Pauls Raudseps, editor for the daily Diena, a founder of TI-Latvia Delna (panelist in Sigma Anticorruption meetings)
- Ilze Jaunalksne, LTV public channel journalist, broke a story on government corruption in 2006, was harassed by the financial police and attacked in the newspaper Neatkarīga Rita Avize (Freedom House, Freedom of the Press report)
- Janis Dombus, TV journalist, in 2007 he disclosed a signed agreement between the Latvian Social Democratic Workers party and an economic group from the city of Ventspils (Freedom House, Freedom of the Press report)
- Arta Giga, director of the influential weekly news program De Facto on LTV public channel, run stories that were critical of the government, was dismissed in 2007 shortly before a referendum on two controversial national security amendments which would have allowed more political control on KNAB (Freedom House, Freedom of the Press report)

Politicians:

- Einars Repse, prime minister (2002-2004), head of Central Bank for almost a decade, launched successful political party and won elections on a anticorruption ticket, shown his commitment to eradicating corruption by targeting members of the government, including his own party, resigned after failing to name as the head of KNAB a person who was well known for her activity in the anticorruption area.

Box 4: Anticorruption antiheroes

The anticorruption antiheroes are what the Nations in the Transit report calls "soviet-educated corrupt oligarchs" as well as their most important political supporters.

Oligarchs:

- Andris Skele – businessman, 3 times prime-minister (1995-97, 1999-2000), founder and main sponsor of the People's Party, heads the Ave Lat economic group built through the privatization of the food processing industry; scandals: Jurmargeita, Kempmayer affair, delayed trial
- Aivars Lembergs - mayor of Ventspils – the second largest city and wealthy due to oil transit, leads economic group built on the privatization of Ventspils Nafta

and LSL, prime ministerial candidate for the Union of Greens and Farmers party (ZZS) at the 2006 election, also connections with FFF-LNIM, former minister of Economy in 2001, arrested & detained in 2007 for corruption (incarcerated for several months, then granted house arrest) but no final conviction, scandal: Kempmayer affair

- Ainars Slesers, twice minister of Transport, scandal: Jurmalgeita

Scandals:

- "Jurmalgate" - The scandal involved attempts by politicians and business people to bribe a critical swing vote in the 2005 election of the Jurmala city mayor. Jurmala is an exclusive resort town on the Riga Gulf coast.
- "Kempmayer" affair or "digitalgate" – the sophisticated attempt to obtain control over Latvia's shares of the mobile telephone company (LMT), worth about US\$150 million, through a fraudulent series of shell corporations.

Politicians:

- Ingrida Udre, head of the Union of Greens and Farmers (ZZS) ruling party which is supported by Aivars Lembergs, speaker of the parliament, very critical of NGOs that promote liberal values
- Aigars Kalvitis, prime minister (2004-2007), member of People's Party which is supported by Aivars Lembergs, was forced to resign after the failed attempt to dismiss the head of KNAB in 2007
- Ivars Godmaris, first post-Soviet prime minister of Latvia (1990-1993), member of Latvia's First Party-Latvian Way (LPP-LC) which is supported by Aivars Lembergs, in his second term as prime minister (2007-2009) the head of KNAB was finally dismissed

3. Government and political society overview

Before 2002 the institutional scene of anti-corruption was characterized by a serious duplication of functions of the more than 50 institutions or departments that were in charge of fulfilling some functions for preventing, detecting or combating corruption related activities (GRECO 2008). Even after KNAB became fully operational in February 2003, a half dozen other agencies tasked with fighting corruption continued to operate which led to institutional rivalry and low levels of cooperation among these agencies. (NIT 2005).

The anti-corruption legal framework is characterized by frequent amendments of the corruption provisions in recent years and shortcomings in the enforcement. GRECO (2008) highlights as issues of concern the transparency of political financing, the supervision of such financing, the sanctions applicable when funding rules are violated as well as their enforcement.

Box 5: Corruption Prevention and Combating Bureau (KNAB) case study

Because of the severe case of state capture and the lack of previous anticorruption results, two years before planned EU accession, the Latvian Government established a specialized agency to prevent and fight corruption (KNAB). The concept of KNAB (its structure and functions) was partly based on Hong Kong's independent Commission Against Corruption. Latvia's KNAB has advisory, executive, investigative, preventive and educational functions. The agency has broad powers to investigate corruption cases and also control party financing.

However, from the start, KNAB was designed with several institutional flaws potentially undermining its independence (GRECO 2008):

- it is situated under the direct supervision of the prime minister, placing it in the awkward position of having to supervise its supervisors which can lead to a conflict of interests
- the appointment and dismissal procedure for the director of the KNAB cannot be seen to be sufficiently non-partisan (despite the rule that the director cannot be a member of a party), as he is appointed and dismissed by the Parliament upon the recommendation of the Cabinet of Ministers.
- the budget of the KNAB is proposed and decided by the Parliament, the same people the KNAB might potentially investigate

Because he was named by the government formed by three parties closely linked to oligarchs, the KNAB's head, Aleksejs Loskutovs, drew initially much criticism from civil society and the media. However, he later turned out to be an independent manager who tried to protect the investigative branch of the KNAB from external pressure. In fact, his dismissal came as a result of his own success. During his four years in office, KNAB has carried out a large number of high profile, effective investigations of high level corruption and party finances violations. Judges, state secretaries and other senior officials were arrested and prosecuted on corruption charges. This made GRECO (2008) to assess as "beyond any doubt" the professionalism and commitment of the KNAB to enforcing political finance laws. Three cases made a huge impact on the public: an investigation against a major political party (ZZS); the investigation and arrest of one of the oligarchs (Aivars Lembergs) for bribery and trading in influence; investigation of corruption at the municipal level in Jurmala involving two oligarchs.

KNAB's success in curbing corruption led to resistance from politicians and observers expected a "counterblow." This came first as the failed attempt of prime minister Aigars Kalvitis to dismiss the head of KNAB in the fall of 2007 and then by the successful attempt of the next in office, Ivars Godmanis.

The stakeholder analysis of anticorruption (Box 6) shows an apparent opposition between various government agencies. Thus, prevention and audit institutions seem to combat corruption more effectively than enforcement institutions, which appear more reluctant in their efforts. Although "a very crude division", according to Valts Kalnins, as "most of the institutions are by far more complex and internally diverse", this categorization reflects the popular perception on anticorruption institutions in Latvia.

Box 6: Stakeholder analysis of anticorruption public bodies

Promoters

- KNAB has proved far more effective than was expected when it was set up in 2003
- Prosecutor-General's Office has refused to be browbeaten by the government and closely collaborated with KNAB
- State Audit Office – the popular auditor general, Inguna Sudraba, has proven to be a fiercely independent and outspoken critic of public waste and efficiency and succeeded to determine government to make changes
- Crime and Corruption Prevention Council (CCPC) – the parliament's dedicated anti-corruption committee was dissolved in 2007

Neutrals

- Procurement Monitoring Bureau – monitors the conformity of the procurement procedures with the requirements of the legal acts regulating procurement activities but no information is available on its position
- Security Police, State Police – are law enforcement institutions with anticorruption responsibilities but no information is available on their position
- president Valdis Zatlers – was supported by Andris Skele to his office and has the right to offer amnesty

Resistant

Financial Police – harassed investigative journalist in 2006 by tapping private mobile telephone and then leaked transcripts in the media; "As an institution, it has not been very outspoken on any anti-corruption issues, as far as individual officials are concerned, you would find various people - from crooks to good ones. (Valts Kalnins, email 16 Feb 2010)"

3.1 Historical evolution of anticorruption

The historical evolution of anticorruption in Latvia can be linked to electoral cycles as well as significant events like the EU integration.

In the early 1990s corruption was barely regulated in Latvia. For example, a 1995 law on conflict of interest led to the fall of the government in 1997 when some top officials were found retaining positions in private companies despite having joined the government. At that time, Latvia's Criminal Code was still based on its Soviet-era version, which did not consider economic crimes to be as serious as other criminal offenses. This explains, according to former Delna head Inese Voika, why most economic offenders in the 1990s were put on probation instead of receiving tougher sentences. (Raubiško 2001)

In the 1990s Latvia was very active on a formal basis in combating corruption. Thus, Latvia was the first to seek assistance for anti-corruption policy from the World Bank in 1996, the first among EU candidate countries to pass Freedom of Information legislation in 1998 as well as the first in initiating a corruption prevention program in CEE as early as 1998. However, the poor enforcement and

effectiveness of these measures shows that the governments were just window dressing².

New Era came to power in 2002 on a promise to clean up corruption. Prime Minister Einars Repse (Nov 2002-Mar 2004) was keen to crack down on corruption and about 20 high-ranking officials in ministries, tax offices and the police force have either resigned voluntarily or been fired during this time. Mr Repse showed his commitment to eradicating corruption by targeting members of the government, including his own party. However, progress in the fight against corruption was slow. This was partly because, after Mr Repse's domineering leadership style alienated previous coalition partners, New Era was forced into sharing government with the People's Party, which is generally considered to have a close relationship with oligarchs. Had Aigars Kalvitis, the new prime minister, taken New Era's advice and ejected the Latvia's First Party from the coalition, the government would have retained a majority in the Parliament. Yet Mr Kalvitis preferred to see New Era depart and carry on as part of a minority administration – perhaps “because he feared that, once he had given way on this demand, New Era would adopt a much more aggressive stance on corruption”. (EIU July 2006)

Latvia experienced in full the “day after accession” syndrome. Thus, in the first days after joining the EU, when the government felled in January 2004 over disagreements on who to name as the head of the anticorruption agency (KNAB). The new government formed by three parties closely linked to the oligarchs started harassing the anti-corruption promoters. However, after being the first coalition that wins re-election (by a slim majority) in the October 2006 parliamentary elections, the ruling parties become increasingly blatant and launched an immediate attack on various institutions. Describing the situation EIU (2007) notes: “The common theme seemed to be, first, a desire to limit scrutiny and weaken key institutions, and, second, a complete disregard for appearances”. Thus, the Parliament's dedicated anticorruption committee is scrapped by shifting its functions into a body with a much wider remit; the Constitutional Court is weakened by appointing a number of inexperienced judges; the same strategy is tried (unsuccessfully) with the new post of human rights ombudsman; an amendment of the national security laws is proposed (unsuccessfully) in order to allow ministers closer scrutiny of the anticorruption agency; the head of the KNAB is sacked after a first failed attempt and the corruption investigations that threaten the ruling parties leading sponsors are headed off.

3.2 Overview of political parties

In Latvia Governments have tended to prove fractious and short-lived, i.e. 15 governments in 20 years.

Parties in Latvia are generally small, isolated, but wealthy. Being one of the few Eastern European countries where there are no direct state subsidies to political organizations, Latvian parties tend to over-rely on financing from wealthy business groups and sponsors, which alienates them from society, marginalizes the role of party members and makes them particularly susceptible to corruption. The general held view is that “the party who spends the most on its advertising campaign wins the elections” (GRECO 2008) and, as proven by KNAB investigations and fines, all

² A 2001 review by Delna shows that more than a third of the tasks of the corruption prevention program had not been carried out while a Sigma (2003) report assesses the impact of the Freedom of Information legislation as “uncertain” 5 years after its adoption.

parties use loopholes in the party financing law and violate limits on campaign spending.

Daunis Auers (2003) analyzes the institutional weaknesses of most political parties in Latvia comparing them with Potemkin villages, i.e. "presenting the façade of a party, but lacking the appropriate organizational and sociological features". According to Auers (2003) party membership in Latvia is strikingly low, being the only European country where less than 1% of the eligible population (0.9% or approximately 15,000 people) are members of political parties, the average percentage in Europe being 5%. Low membership is explained by the elitist nature parties which are hard to join³ and by the low public trust in political parties. These low membership levels lead to parties becoming increasingly "professionalized". Work that is traditionally carried out by a voluntary membership is undertaken by full-time paid professionals or, increasingly, outsourced to media or advertising companies, which further alienates them from society. The 2010 Bertelsmann Transformation Index report shows that Auers analysis is still accurate, noting that nowadays Latvian parties have generally few members (typically around 1,000), a top-down organizational structure, and few links to grass-roots organizations.

According to the Economist Intelligence Unit (2003), there is a perception that, the Union of Greens and Farmers (ZZS) and the First Party-Latvia's Way (LPP-LC) may have connections with the Ventspils business lobby, led by the mayor of Ventspils, Ainars Lembergs, which forms one of two powerful business groupings in Latvia. The People's Party is connected to its founder, the oligarch Andris Skele. Moreover, President Vike-Freiberga indicated at the beginning of July 2007 that the police hold evidence that a large number of deputies were paid from a "slush fund" controlled by Ventspils business interests (EIU 2007).

3.3 Politicians elected on anticorruption tickets

In its first election campaign, New Era promised to combat corruption and tax evasion. Running on this platform, the party won 23.9% of the popular vote and 26 out of 100 seats in the 2002 legislative election and became the largest party in the Saeima, the parliament of Latvia. It formed a coalition government with 3 other parties, with the New Era leader, Einars Repše, as the prime minister. In January 2004, the coalition fell apart and Repše resigned.

Corruption scandals brought down Andris Skele government in 1997, after the law on conflict of interest was first applied, as well as Aigars Kalvitis' government, after the failed attempt to sack the head of KNAB. The Economist Intelligence Unit notes that corruption scandals could still bring down other governments.

3.4 Corrupt politicians reelected

Despite allegations of corruption, the government based on the People's Party, the Union of Greens and Farmers and the First Party-Latvia's Way, all to a considerable extent representing the interests of certain powerful sponsors, managed to gain re-election in October 2006. The EIU explains their slim victory as a combination of the strong performance of the economy and the flouting laws restricting campaign finance.

³ Auers (2003) notes that most parties require candidates to membership to provide references from two or three existing members

Despite the Latvian public's perception of high levels of political corruption in Latvia, no national politicians have yet been held to account in a court of law. Moreover, people are accused of corruption, dismissed and even incarcerated but they are not convicted and they even return to office (Box 7). Apparently, this kind of behavior is encouraged by the 31.4% of the population which believes that corrupt politicians can be supported if they take care also about the rest of the society (Providus - March 2009 survey)

Box 7: In despite of the rule of law

- Aivars Lembergs – In 2006 the mayor of the second largest city and head of one of the two large groups of interest was arrested and incarcerated being charged with large-scale money laundering, bribery, abuse of office, and failing to declare property for tax purposes. The prosecutor's office suspended him from his position as mayor of Ventspils, but the city council refused to elect a new mayor. The media reported the reluctance of courts to take the case, passing it like a "hot potato" between Riga and Liepaja regional courts, each trying to avoid undertaking responsibility for it. The case still drags on in 2010. In the 2006 he was found not guilty in a different case where he had been charged of abuse of power and making false statements in connection with the operation of the Ventspils port.
- Ainars Slesers – In March 2006 the prime minister demanded the resignation of the transport minister, Ainars Slesers, who had been implicated in a corruption scandal related to the 2005 mayoral elections in Jurmala. Four persons were charged with bribery in connection with the scandal. Slesers, against whom no criminal charges were filed by year's end, returned to the transport ministry following the October 2006 parliamentary elections.
- Andris Skele – associated with the "digitalgate" case which is winding its way to justice after many calculated and accidental digressions.
- Riga City Council – the director of the Riga city council's department for development, Vilnis Strams, was arrested in 2007 for soliciting bribes to bypass the planning process, was dismissed by the council but then returned to office.

3.5 Parties associated with corruption

According to a survey ordered by Providus (March 2009), 52.4% of Latvian respondents believe that the People's Party is the most corrupt political party in Latvia, followed by the New Era with 21.9%, Latvia's First Party and Latvia's Way (LPP/LC) with 21.8%, and the Greens and Farmers Union (ZZS) with 20.6%. However, the EIU (2009) sees New Era Party as committed to tackle the culture of unaccountability that seemed to have taken hold under previous governments (the current prime minister, Valdis Dombrovskis, is from the New Era Party).

4. Voters overview

This section tries to identify if participation to corruption broad and what is the public reaction to corruption.

The overall readiness of the population to give bribes has declined in the last two years. Thus, in 2007, 39% of respondents were willing to give bribes, but in 2009 this number went down to 32% of respondents. (Delna Nov 2009 survey)

GRECO report (2008) notes that most interlocutors pointed to the general low level of public trust in politics. This is confirmed by a March 2009 survey commissioned by Providus according to which the largest part of the population or 56.1% said that any person becoming a politician would try to use the situation for their own good. Moreover, funding scandals and/or violations of the law brought to light by the KNAB do not seem to influence voting behavior, as they merely seem to confirm the public's low opinion of political parties.

According to the EIU November 2007 report, an increasingly prosperous middle class is emerging in Latvia, which is less inclined to tolerate the influence of "oligarch"-style business figures over the country's affairs and seems ready to demand greater transparency, as proven by the 2007 major demonstrations in support of KNAB's head. This example of solidarity and cohesion served as a warning to the government that the public is less politically apathetic than it thought.

However, the same "prosperous middle class" could not mobilize in the summer of 2008, when the head of KNAB was finally dismissed. Moreover, polling data shows an increasing apathy concerning corruption. Thus, data comparison illustrates that an increasing proportion of respondents who are personally dealing with corruption, do not inform any authority: in 2005 - 18%, in 2007 - 21%, but in 2009 - 27% of the population (Delna Nov 2009 survey). This apathy is reminiscent of what Inese Voika called in 2001 "kitchen-style politics", i.e. people choose to passively criticize and complain about the state of affairs, but they do not personally engage in changing negative practices (Raubiško 2001).

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