

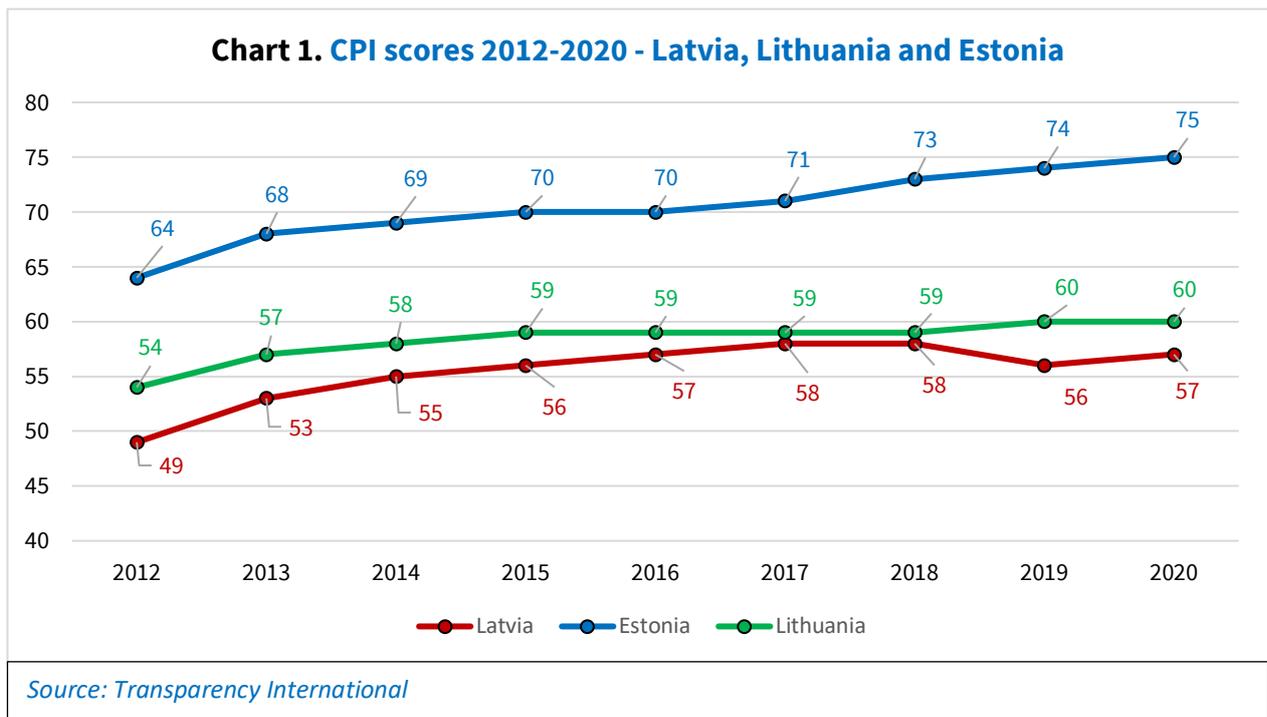
Analysis | Corruption Perceptions Index 2020

Transparency International has published the results of the **Corruption Perceptions Index 2020**. Latvia ranks 42nd in the world (together with Cyprus and Costa Rica) and compared to 2019 its score has increased by 1, from 56 to 57. While this might be seen as a positive step, the score is still too low and indicates that Latvia is lagging behind compared to other EU and OECD countries. A break-down of the CPI results shows that to improve the situation Latvia should take bold measures to improve prosecution of corruption and strengthen political and business integrity.

Transparency International's Corruption Perceptions Index (CPI) analyses the **private sector's perceptions of public sector corruption** in 180 countries and territories, drawing on 13 different sources, including indices related to democracy and public governance, surveys of businesspeople and expert risk assessments (watch this [4-minute explainer video](#) to learn how TI calculates the CPI). The CPI uses a scale of zero to 100, where zero is highly corrupt and 100 is very clean. Usually, a score below 50 indicates serious levels of public sector corruption.

The results for 2020 show that, with a score of 57, Latvia ranks 42nd in the world, together with Cyprus and Costa Rica. Though the score has increased by one compared to the CPI 2019, it is still too close to the threshold of 50. Moreover, Latvia is lagging behind compared to other countries in the European Union (EU) and the Organisation for Economic Cooperation and Development (OECD). In the EU27, where the average CPI 2020 score is 64, Latvia ranks 15th out of 27 countries. Among OECD member states (average CPI score 66) Latvia ranks 28th out of 37 countries.

This is part of a larger (and worrying) pattern of stagnation in corruption perceptions over recent years (see Chart 1 below). Since 2014, Latvia's score has increased just by 1. While the trend is similar in Lithuania, the performance of both countries is in stark contrast with that of Estonia, whose CPI score has slowly but constantly increased and is now well over the EU average and almost 20 points higher than Latvia.



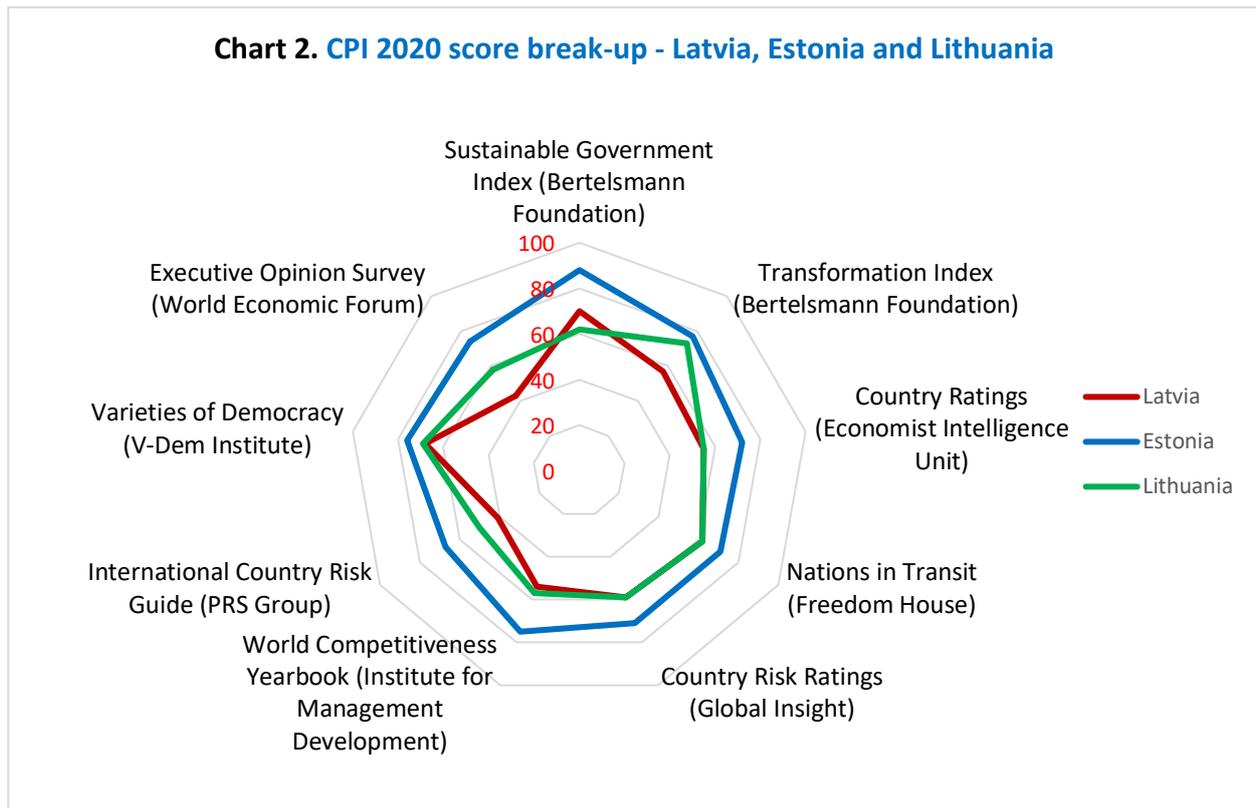
What does this mean? How can a single number describe corruption in Latvia and help identify main gaps and key areas for improvement? To answer these questions, it is necessary to break down the CPI result and assess variations in the scores of the sources used to calculate it.

For the CPI 2020 score in Latvia, Transparency International drew on nine sources from eight different institutions (see Chart 2 below).¹ The CPI score does not take into account the overall scores achieved in such indices, surveys and expert assessments, but only specific questions related to corruption across different levels and areas. The score of such questions is then rescaled from 1 to 100.

Latvia's 1-point increase in the CPI score in 2020 can be attributed to a modest improvement (+5) of Latvia's score in the Institute for Management Development's World Competitiveness Yearbook, which asks senior business leaders about the existence of bribery and corruption in the country, and a slight improvement (+2) in the Varieties of Democracy project by the V-Dem Institute, which assesses pervasiveness of corruption in a country and measures six distinct types of corruption that cover different areas and political levels.

¹ The nine sources are: Bertelsmann Foundation's Sustainable Governance Index and Transformation Index, the Economist Intelligence Unit's Country Ratings, Freedom House's Nations in Transit Ratings, Country Risk Ratings by Global Insight, the World Competitiveness Yearbook by the Institute for Management Development, the International Country Risk Guide by the PRS Group, the Varieties of Democracy Project by the V-Dem institute, and the Executive Opinion Survey by the World Economic Forum.

Chart 2. CPI 2020 score break-up - Latvia, Estonia and Lithuania



This general improvement was counterbalanced by a net decrease (-6) in the Freedom House’s Nations in Transit Rating, which looks at the overall effectiveness of anti-corruption institutions in containing corruption. Furthermore, a comparison of Latvia’s CPI score break-up with those of Estonia and Lithuania shows that Latvia has significant gaps in three other sources, including Bertelsmann Foundation’s Transformation Index, the PRS Group’s International Risk Guide, and the World Economic Forum’s Executive Opinion Survey (EOS).

A closer look at the specific questions examined by these sources and their findings shows that there are at least three areas in which Latvia should step up its efforts to catch up with other Baltic and EU countries: prosecution of corruption, political integrity and business integrity.

Prosecution of corruption

The [Nations in Transit 2020 report](#) for Latvia, which looks at events taking place in 2019, explicitly refers to Latvia’s incapacity to turn allegations of corruption and money-laundering into convictions as the main reason for Latvia’s score decrease in the past year. [Bertelsmann Foundation’s Transformation Index 2020](#), which covers a period from 2017 to early 2019, also reaches similar conclusions. Both reports point to the unreasonably long delays in trials involving high-profile figures (they mention the cases of Lembergs, Rimšēvičs and Rigas Satiksme among others), which are damaging public trust in the judicial system.

The need to strengthen the capacity of law enforcement and prosecution services to detect and investigate complex economic and financial crimes has been widely acknowledged by Latvian authorities. Both the Prosecutor General Office’s (PGO) Operational Strategy 2017-2021 and the new Prosecutor General, who took office in June 2020, have stressed that closing the expertise gap of Latvian prosecutors

in handling complex crimes will be priority in the coming years. In January 2021, a new prosecutor office was set up to specifically deal with crimes committed by state officials.²

A recent [audit](#) of the prosecution services carried out by Latvia's State Audit Office in cooperation with the OECD (which published a [comparative study](#) to this regard) provide a roadmap for further reforms. These include better mechanisms to ensure accountability of the PGO³, harnessing data collection and analysis to monitor and improve performance, better coordination between prosecutors and investigators in pre-trial investigations as well as mandatory training and specialisation in the prosecution of complex crimes. A comprehensive implementation of such reforms can help reduce impunity and restore the trust of citizens and foreign observers in the Latvian judicial system.

Political integrity

Political integrity is another area where there is considerable space for improvement. Latvia's score (41) in the International Country Risk Guide by the PRS Group, which assesses risks of political corruption and conflict of interest, is the worst in the EU, together with Greece and Romania.

The Latvian government has taken steps to tackle risks of political corruption. Amendments to political financing legislation which entered into force in 2020 have increased six-fold the amount of funds from the State budget to political parties, with the aim of reducing their dependence on private donors. Moreover, a Working Group was set up in the Parliament in 2019 to draft lobbying regulation based on principles of transparency and fairness. This is expected to be forwarded to the Parliament in June 2021.

Furthermore, recent changes to legislation on the prevention of conflict of interest prohibit state officials from taking up paid positions in civil society organisations, foundations and/or social enterprises. While this is expected to mitigate risks of conflict of interest, two recent [reports](#) from GRECO stressed the need for Latvia to close remaining gaps in the regulatory framework. These include introduction of obligation for high-level public officials to declare private interests as soon as they arise rather than only once per year, enhanced methodology and procedures for the in-depth assessment of public officials' interest and asset declarations as well as guidelines and dedicated training for Members of the Parliament (MPs).

A recent [report](#) by TI Latvia has also pointed out the need to improve the overall quality, accessibility and user-friendliness of the State Revenue Service's database of public officials' interests and asset declarations and the wealth of data it contains. Providing such data in machine-readable format would enhance media and civil society's capacity to spot irregularities and flag them to oversight authorities. The new version of the website [deputatiuzdelnas.lv](#), which contains a section with interactive charts for MPs' declarations in 2018-19, shows how this might work in practice.

Business Integrity

Last but not least, Latvia's low score (43) in the World Economic Forum's Executive Opinion Survey – which asks how common it is for firms to make undocumented extra payments or bribes connected with a range of different operations⁴ - is a reminder that the business environment of a country also depends

² The new Prosecution Office of Criminal Offenses in State Institution Service (NNVIDIP) will monitor and prosecute cases investigated by the Corruption Prevention and Combating Bureau (KNAB), the Internal Security Bureau and the Internal Security Board of the State Revenue Service (VID).

³ Latvian authorities have already taken steps in this regard by introducing an obligation for the Prosecutor General to report to Parliament on the performance of the PGO during the preceding year.

⁴ Imports and export, public utilities, annual tax payments, awarding of public contracts and licenses and obtaining favourable judicial decisions

on firms' capacity to prevent, detect and address corruption. This has become even more important in the context of economic recovery following the Covid-19 pandemic

The [Agenda for Business Integrity](#) by the World Economic Forum's Global Future Council on Transparency and Anti-Corruption provides a framework for business integrity in accordance with international standards and principles. Amongst other things, this includes a commitment by firms to disclose data and information that are critical for integrity, such as internal anti-corruption policies and statistics on their enforcement, beneficial ownership and operations in other countries as well as political engagement (e.g., lobbying and financial dealings with public officials and politicians).

To improve international observers' and investors' perception that Latvia is a safe place where to do business, the government should encourage the firms to adopt innovative practices in line with such principles and standards.

Conclusion and recommendations

In sum, while Latvia's CPI 2020 score is not encouraging, it indicates pathways for the country to step up its efforts to tackle corruption and close the gap with the other Baltic and EU countries. 2021 will be a crucial year to put this into practice. Drawing from the brief analysis above, TI Latvia recommends Latvia's authorities to:

- Improve the accountability and effectiveness of prosecution services by: i) clarifying the content of the Prosecutor General's report to the Parliament; and ii) enhance prosecutors' data collection and analysis system (e.g., including nation-wide aggregated data and annual analyses)
- Aim for a comprehensive legislation on lobbying which takes into account the need to ensure fair interest representation in public decision-making by different groups of society while providing transparency over the financial resources they dedicate to this purpose
- Strengthen measures to prevent conflict of interest by: i) introducing mechanisms for high-level officials to disclose private interests as soon as they arise; ii) providing for the availability of public officials' interest and asset declarations in machine-readable format; and iii) enhancing the quality and user-friendliness of the State Revenue Service's public officials' declaration database
- Foster business integrity by encouraging firms to take a proactive approach on preventing, detecting and addressing corruption in their operations and to disclose corporate data and information that are relevant to anti-corruption efforts.

Transparency International Latvia / "Sabiedrība par atklātību – Delna"

January 28, 2021

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This research published with the support of Iceland, Liechtenstein and Norway through the EEA and Norway Grant "Active Citizens Fund" and it reflects the opinion of the Transparency International Latvia.

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