

## Analysis

### Global Corruption Barometer results in Latvia: time for the government to tackle some big challenges head-on

In June 2021, Transparency International published the results of the Global Corruption Barometer (GCB) 2020, revealing citizens' perceptions of corruption in Latvia and the EU at large. The results show that corruption in government is still seen as a big problem by Latvians, with 81% of survey respondents agreeing to this statement. While this is similar to the Lithuanian score (77%), it is considerably higher than the EU average (62%) and more than double of the score in Estonia (40%), indicating that the issue is as pressing as ever.<sup>1</sup>

While for the majority of other survey questions Latvians' opinion is similar to the EU average<sup>2</sup>, a closer look at the GCB figures allows us to identify at least three big challenges which the government should tackle head-on: i) the persistent perception of undue influence of private interests in public decision-making; ii) dissatisfaction with inclusiveness in decision-making; and iii) citizens' opinion that the government is doing a bad job in tackling corruption overall. In this analysis, we will analyse each challenge in turn.

#### Undue influence of business in politics

The first big challenge is related to the widespread perception of undue influence of private interests in public decision-making. In the GCB, 63% of Latvian respondents agree that the government is run by a few big interests looking out for themselves. This is in line with results from a recent survey by SKDS and commissioned by the PR Agency Deep White, in which 85% of respondents agreed with the statement that the influence of narrow interests is widespread in government.<sup>3</sup> According to a recent Eurobarometer survey, 76% of Latvian citizens think that too close links between business and politics lead to corruption in the country.<sup>4</sup>

These figures are not surprising. Perceptions of disproportionate influence of money and business interests in politics have historically been high in Latvia, driven by the exposure of several cases in which bribery and exchange of favours were used to create business opportunities or obtain public contracts.

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<sup>1</sup> <https://www.transparency.org/en/gcb/eu/european-union-2021>

<sup>2</sup> <https://delna.lv/lv/2021/07/05/globalais-korupcijas-barometrs-cilveku-uztvere-korupcija-ir-augsta-un-valdiba-to-nepietiekami-apkaro/>

<sup>3</sup> [http://aizsardziba.saeima.lv/attachments/article/1534/lobija%20likums\\_sabiedri%CC%84bas%20atbalsts\\_DW\\_SKDS.pdf](http://aizsardziba.saeima.lv/attachments/article/1534/lobija%20likums_sabiedri%CC%84bas%20atbalsts_DW_SKDS.pdf)

<sup>4</sup> European Commission (2020), Special Eurobarometer 502 – Corruption, [https://data.europa.eu/data/datasets/s2247\\_92\\_4\\_502\\_eng?locale=en](https://data.europa.eu/data/datasets/s2247_92_4_502_eng?locale=en)

To better understand how to address this problem, it is necessary to look at how well Latvia is performing in safeguarding decision-making channels that are vulnerable to political corruption.

Political party financing has been one of the main channels of influence, with political parties having long relied on a small number of private donors to carry out their activities. A recent report by TI Latvia shows that, in 2018-19, 80% of private funding to the 20 main political parties came from 20% of donors.<sup>5</sup> This has brought corruption risks. In the 2019 Eurobarometer survey on businesses' perceptions of corruption in the EU, 49% of respondents in Latvia believed that the most widespread corrupt practice in the country is the exchange of political donations for public contracts or influence over policymaking.<sup>6</sup>

The reform of the political party financing model in 2020 has alleviated this problem by reducing political parties' need to rely on private donors. At the same time, a year and a half after the reform, questions have been raised about the viability of such a model in a fragmented party system such as Latvia's, in which substantial sums of public money might end up in the hands of parties that might disintegrate easily.<sup>7</sup> There is also a need to complement such legislation with performance indicators, such as attracting new members.

Conflict of interest and favouritism, in public procurement and decision-making more generally, is also a significant problem. According to the GCB, 50% of Latvian respondents believe that companies use bribes or connections to secure public contracts. In a 2019 Eurobarometer survey, around one third (30%) of business respondents stated that corruption has prevented them from winning a public contract in the previous three years, and 47% also thought that favouring family or friends in public institutions is the most widespread corrupt practice in the country.<sup>8</sup>

While Latvia's regulatory framework on conflict of interest and public officials' financial disclosure is stronger than in many other EU countries<sup>9</sup>, there are still some gaps that make the system less effective than it should be. There is no requirement for family members of public officials to declare their interests, making it harder for oversight bodies to investigate potential cases of favouritism. Moreover, officials' declarations are not updated as soon as new private interests arise, thus preventing the public from having a "real time" picture of what could influence public officials' decisions.

Perhaps the most significant gap when it comes to Latvia's political integrity framework is the lack of lobbying regulation and transparency. This prevents the general public and the media from understanding how public decision-making is influenced by various interest groups and identify disparities in access to senior officials. Furthermore, the lack of systematisation of the exchange of opinions and ideas among interest groups, as well as the lack of clarity on how decision-makers take them into account, contribute to less effective and qualitative rulemaking, further sowing distrust among the public.

To tackle this problem, the Saeima's Working Group for Transparent Lobbying Framework will have to effectively balance the need for accountability with the objective of improving the flow of information and interactions among interest groups, while at the same time making sure that the public interest is adequately considered.<sup>[OBB]</sup> This directly connects with the next big challenge – inclusive decision-making.

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<sup>5</sup> <https://delna.lv/lv/2020/12/17/delna-publice-jaunu-versiju-sabiedriba-popularai-timekla-vietnei-deputati-uz-delnas/>

<sup>6</sup> <https://europa.eu/eurobarometer/surveys/detail/2248>

<sup>7</sup> <https://lvportals.lv/viedokli/330618-interese-par-korupciju-noplok-2021>

<sup>8</sup> <https://europa.eu/eurobarometer/surveys/detail/2248>

<sup>9</sup> <http://europam.eu/>

## Dissatisfaction with inclusiveness in decision-making

The GCB also shows worrying results when it comes to inclusiveness in public decision-making. Only 13% of Latvian respondents think that the government takes their views into account when making decisions – this is the lowest rate in the EU, where the average is 30% (in Lithuania and Estonia the score is respectively 23% and 22%). This echoes another result of the SKDS survey mentioned above, in which 80% of respondents responded that they believe MPs and Ministers do not listen to their concerns. Such feelings of political alienation are alarming.<sup>10</sup>

Although Latvia has a fairly comprehensive regulation on public participation in rulemaking and provides citizens with a range of different opportunities to engage with public decisions, there are indications that the government does not always enforce the law as it should. In the most recent instance, the development process of Latvia's plan for the EU Recovery and Resilience Fund (RRF) was harshly criticized by social partners, who claim they were involved in discussions only at the last minute and given just a couple of days to scrutinize an Excel file with 200 entries and a 260-page Word document.<sup>11</sup>

Political alienation is also likely to be behind the historically low turnout in regional elections, which were particularly important due to the transition to the new system with bigger municipalities and more decision-making power resting on politicians. The reform itself, which has significantly decreased the number of elected representatives, might be one reason for the low turnout, as citizens might feel there is no one voicing their concerns at the local level.

These issues indicate that the government has to make a significant effort to improve citizen engagement in policymaking in innovative ways, and especially make people aware of the possibilities they have. At present, public institutions do not have a standard practice of advertising opportunities for public consultations, and this might hamper citizens' opportunities and understanding of how to engage in public decisions. Substantial investment in this area, and especially in innovative solutions to simplify the way in which citizens are consulted, might help mitigate the problem.

For example, the recent initiative of the Cabinet of Ministers to develop an interactive portal for commentary on regulatory acts by the executive<sup>12</sup> is very welcome, and perhaps the Saeima should follow the example and develop one as well. Similarly, Latvia could benefit from a more widespread implementation of participatory budget initiatives and civic monitoring of public procurement through the Integrity Pacts.<sup>13</sup> These could offer people a concrete chance to have a say in how public resources are allocated and/or managed and feel more involved.

## Unsatisfactory performance in tackling corruption

The third big challenge emerging from the GCB results concerns the government's performance in tackling corruption. According to the survey, 66% of Latvian respondents think that what the government is doing to fight corruption is unsatisfactory, whereas only 30% think that it is doing fine in this regard. This is worrying when compared to the EU average and the results from other Baltic countries, where opinions

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<sup>10</sup> [http://aizsardziba.saeima.lv/attachments/article/1534/lobija%20likums\\_sabiedri%CC%84bas%20atbalsts\\_DW\\_SKDS.pdf](http://aizsardziba.saeima.lv/attachments/article/1534/lobija%20likums_sabiedri%CC%84bas%20atbalsts_DW_SKDS.pdf)

<sup>11</sup> <https://www.lsm.lv/raksts/zinas/ekonomika/socialie-partneri-kritize-uz-ek-sutamo-atveselosanas-un-noturibas-mehanizmaplana-projektu.a391963/>

<sup>12</sup> <https://www.opengovpartnership.org/documents/regulatory-governance-in-the-open-government-partnership/>

<sup>13</sup> <https://www.transparency.org/en/projects/integritypacts>

are more balanced and even positive. For example, in Estonia, 46% of people think the government is doing a good job in tackling corruption and 37% think that is not.

A general perception of impunity for corrupt behavior – an historical problem in Latvia – certainly plays a big role. Recent cases, such as the acquittals of the former head of Latvia’s Railways<sup>14</sup> and the former central bank governor<sup>15</sup>, due to difficulties in gathering enough evidence to demonstrate that they had been taking bribes, will likely contribute to such perceptions. Political scientist and anti-corruption expert Valts Kalniņš has recently raised the question of whether the commitment of the Corruption Prevention and Combating Bureau of Latvia (Bureau) to making punishment for corrupt individuals inevitable in the new anti-corruption plan (2021-2024) might be more a smokescreen than a tangible plan giving the bad performance in this area.<sup>16</sup>

V. Kalniņš has also suggested that the Bureau’s new plan does not go far enough. Despite the experience accumulated by the Bureau in many years of activity, it is more oriented towards assessing solutions rather than directly proposing legislative changes or direct solutions. He also suggests harnessing the potential of data to better assess corruption risks and to prevent and detect irregularities. However, at present, there is no plan or policy specifically dedicated to this issue, and the Bureau lacks resources and analytical capacity to make data work for them.

There is also no specific policy for the systematic disclosure of relevant anti-corruption data (e.g., on political financing and interest and asset declarations) which would help the media and civil society to play their watchdog role. Recent initiatives, such as the digital tools “Deputāti uz Delnas”<sup>17</sup> and “Opener”<sup>18</sup> by TI Latvia, or the web app developed by a civic activist allowing citizens to explore private interests of local election candidates<sup>19</sup>, provide examples of how government data could be put to good use. The government should do more to promote the development of such tools.

## Conclusion and recommendations

In sum, the results of the GCB are saddening for Latvia, but they are nothing new, and have been at the centre of public debate for many years. There is a risk that the constant discussions about high-level corruption might lead to society simply getting accustomed to it, with a consequent waning of interest towards the topic. Therefore, the task for the government is not only to crack down on the big challenges identified by this analysis but also to find effective ways to get citizens involved in this endeavor. As such, TI Latvia recommends policymakers to:

- Introduce a well-designed lobbying regulation, which would keep interest groups accountable for disproportionate influence while at the same time granting transparency of key decision-making processes and favouring the exchange of ideas among different stakeholders, so that citizens can also understand what’s happening in the political debate. In a recent report on lobbying, TI Latvia has provided several recommendations on how to move forward in this direction.<sup>20</sup>

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<sup>14</sup> <https://www.lsm.lv/raksts/zinas/latvija/tiesnesis-prokuraturai-nav-pietiekami-daudz-pieradijumu-lai-magoni-apsudzetu-kukulosana.a409074/>

<sup>15</sup> <https://www.lsm.lv/raksts/zinas/latvija/knab-neizdodas-pieradit-ablv-bank-vadibas-iesaisti-korupcija-un-rimsevica-kaitniecibu.a400504/>

<sup>16</sup> <https://lvportals.lv/viedokli/330618-interese-par-korupciju-noplok-2021>

<sup>17</sup> <https://deputatuzdelnas.lv/>

<sup>18</sup> <https://opener.ee/>

<sup>19</sup> [https://aivisb.shinyapps.io/202103\\_PV2021/](https://aivisb.shinyapps.io/202103_PV2021/)

<sup>20</sup> [https://delna.lv/wp-content/uploads/2021/06/LV\\_Designing\\_lobbying\\_regulation\\_in\\_Latvia\\_final.pdf](https://delna.lv/wp-content/uploads/2021/06/LV_Designing_lobbying_regulation_in_Latvia_final.pdf)

- Consider amending provisions for public funding in the legislation on political financing so that it better reflects the features of Latvia's political party system, and is more equitable among different players, for example by granting additional funding to regional parties or those that get 2% of votes in the Saeima elections or cutting the current privileges for those that get over 5% of the votes. The government could also consider linking party financing to parties' performance in attracting members or small donors.
- Overhaul the system for public officials' interest and asset declarations, by i) making data more accessible and user-friendly to the public; ii) introducing provisions for declarations by family members of top-level elected representatives (i.e., Cabinet of Ministers and Saeima) and those of public officials in charge of allocating public resources; iii) introducing a requirement to declare interests as they arise and update declarations in a timely manner.
- Improve the effectiveness of current regulation and management of citizen involvement in public decision-making, by: i) encouraging or mandating all public institutions to standardize the way in which they publish information about public consultation and their results; ii) allocating more funding for the development of government-sponsored digital tools for citizen engagement, participatory budget initiatives and civic monitoring of public procurement.
- Develop a solid and comprehensive strategy for the use of government data in anti-corruption policies and practices, providing for at least: i) mechanisms to systematically identify anti-corruption-relevant datasets across public institutions and prioritise their provision as open data reflecting stakeholders' needs; ii) training in data analytics for oversight authorities aimed at improving their capacity to better identify corruption risks and detect irregularities; iii) planning of initiatives bringing together media, civil society and public officials to develop digital tools for the monitoring of corruption across key risk areas

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