



Interagency Coordination in Economic Crime Investigations in Latvia



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Foreword

Economic crimes are growing in number, complexity and reach, making them increasingly difficult to investigate and prosecute in Latvia. Transnational organised crime has been identified as a critical risk in the National Risk Assessments of many OECD countries, and how to counter illicit economic activities is part of the OECD work programme on risk management and resilience. These crimes are perceived to have a significant impact on Latvia's economy as well as on the security of citizens and of society as a whole. The Latvian State Police and criminal justice system (CJS) more broadly are actively involved in on-going policy reform and institutional changes to address these challenges.

The research takes the form of a gap analysis, which informs the recommendations and specific actions to improve cooperation and coordination mechanisms in Latvia among the State Police departments and other institutions. To do this, interviews were conducted with a range of experts involved in economic crime investigations to consider the level and quality of cooperation and coordination on investigations and handling of evidence for such crimes that have a direct negative impact on the business environment in Latvia.

This report highlights progress Latvia has made to strengthen its institutions and policies in the fight against economic and financial crimes, and notes areas that require further attention. Its recommendations provide Latvia with an opportunity to continue to build on its achievements, while raising awareness of the complex context around policy implementation.

Looking to the future, Latvia would benefit from promoting greater international awareness and engagement in its domestic-focused strategies and approaches to investigation and prosecution of economic crimes. This will require building capacities within the criminal justice system and intensifying co-operation with key actors in European and international law enforcement organisations to ensure a stronger national response.

A more holistic national strategy that encompasses actions both within and outside the criminal justice system is necessary to prepare for and respond to economic crime. Interagency law enforcement co-operation will be an important factor in ensuring that better investigations translate into more successful prosecution of cases.

Criminal entities and organised crime syndicates are motivated by profit and loss. The Latvian Government can send a clear message that Latvia is not a good place to do illegal business and show, through its actions and commitment, that those who do will be prosecuted in a timely and efficient manner. The OECD stands ready to support Latvia in tackling economic crime and in bringing about sustainable positive change.

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Ministry of Interior of the Republic of Latvia

The State Police of the Republic of Latvia:

- Regional Departments
- Economic Crime Enforcement Department
- Cybercrime Unit- Economic Crime Enforcement Department
- Criminal Intelligence Department
- Legal Department of Central Administrative Department
- 3rd Unit - International Cooperation Department
- Forensic Service Department
- State Police College

Prosecution Office of the Republic of Latvia:

- Prosecutor General's Office
- Specialised Prosecution Office for Organised Crime and other branches of Prosecutor General's Office
- Regional Prosecution Offices of Prosecutor General's Office

Tax and Customs Police Department of State Revenue Service of the Republic of Latvia.

Corruption Prevention and Combating Bureau of Latvia (KNAB).

Financial Intelligence Unit (FIU).

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Abbreviations and Acronyms

AML/CFT	Anti-Money Laundering/ Countering the Financial of Terrorism
BNIs	Bearer Negotiable Instruments
CAB	Criminal Assets Bureau
CJS	Criminal Justice System
CPL	Criminal Procedure Law
ECED	Economic Crime Enforcement Department
EPPO	European Public Prosecutor's Office
EU	European Union
FATF	Financial Action Task Force
FBI	Federal Bureau of Investigation
FCMC	Financial Capital Market Commission
FIU	Financial Intelligence Unit
FIs	Financial Institutions
FSD	Forensic Service Department
FT	Financing Terrorism
ICD	International Cooperation Department
LEAs	Law Enforcement Authorities
ML	Money Laundering
MLA	Mutual Legal Assistance
MOI	Ministry of the Interior
PEPs	Politically Exposed Individuals
OECD	Organisation for Economic Cooperation and Development
USA	United States of America

Executive Summary

Economic and financial crime in Latvia include a wide range of illegal acts. These are, but are not limited to, the sale of illegal goods and services, fraud, embezzlement, racketeering, white collar crime, counterfeiting, money laundering, corruption and tax evasion. Many forms of economic criminal activity are difficult to understand, detect, and investigate, leading to a perception that they are low-risk and high-reward crimes. If law enforcement efforts stall or are otherwise ineffective, economic crimes may pose a significant threat to the nation's business community and economy. The volume and obfuscation of economic crimes in Latvia present a persistent challenge for law enforcement investigations, and have led to on-going efforts to strengthen authorities' ability to detect, investigate and successfully prosecute them.

This report identifies gaps in Latvia's criminal justice system that make investigation and prosecution of economic and financial crime more difficult. It provides context to understand challenges that are specific to Latvia, as distinct from the complex nature of economic and financial crime in general. Indeed, this context explains why many of the challenges have continued despite previous reports on the topic. The report provides recommendations to support sustainable change in the investigation and prosecution of economic and financial crime, and to inform future capacity-building investments.

The report highlights public management success stories in Latvia that mark concrete improvements to crime prevention and detection institutions, including:

- the establishment of joint investigation teams; improved supervision by prosecutors on serious cases
- recent amendments to legislation on criminal procedure that confer broader authority to terminate cases and joint training sessions are used to improve sharing of information among government agencies
- an enhanced Financial Intelligence Unit (FIU)
- the establishment of a dedicated Economic Crime Court.

Challenges remain, however. For example, lack of specialised training and knowledge amongst police and prosecutors, justice delays due to lack of resources, as well as challenges related to international co-operation, and the increasing complexity of cases due to the cyber dimension of economic crimes. The report notes that it is difficult to measure successful performance of economic crime investigations and prosecutions. The State Police have made considerable changes in recent years to the legal framework and operations to combat economic crimes, but thoroughly implementing such changes will require a commitment to continued training, the introduction of modern investigative equipment and related technology, and stability of efforts over time. A lack of resources in law enforcement is a consistent problem; greater investments are needed in the human and operational resources of the State Police.

The core recommendations of this report are, first and foremost, to develop a dedicated economic crime strategy in Latvia and, second, to conduct a root and branch review on the current investigative model for economic and financial crimes. Models used in different jurisdictions could inspire part of the dedicated economic crime strategy in line with the remaining recommendations of this report.

Assessment and recommendations

This section outlines the policy recommendations resulting from the OECD analysis that can contribute to increasing and improving the existing cooperation and coordination mechanisms in Latvia amongst the State Police departments involved in economic and financial crime investigations, and also between the State Police and other institutions. The recommendations support the Latvian State Police in improving their capacity for the investigation and prosecution of economic crimes.

This report analyses the existing cooperation and coordination mechanisms in Latvia amongst the State Police departments involved in economic crime investigation, and between the State Police and other institutions. Based on this analysis, this section summarises key policy recommendations that aim to support the ongoing efforts in the country to strengthen the investigation and prosecution of economic crime cases and enable the State Police to increase effectiveness and quality of the economic crime investigations in Latvia. Given the current high rate and pace of change within the State Police, the recommendations link in, where possible, to the current areas of change.

Recommendations

Review the current investigative model used in economic crime investigation and develop a dedicated economic crime strategy in Latvia

Despite the change in the response to economic crime in Latvia, marginal positive impact has been achieved. Drawing from the literature, such an outcome is not surprising, because little has changed in recent years with the investigative model used. There is merit, therefore, in developing a fresh approach to serious crime investigation that is cognisant of the nature of new and emerging economic crime investigations. It is timely to consider how best to do this given the current structural review that is ongoing in the State Police.

An approach to doing so should be written up within a dedicated economic crime strategy for Latvia. An overarching economic crime strategy should set out the priority areas for combatting economic crime, identify the greatest barriers to combatting such crime and distinguish where there is most scope for collaboration and commitment. Given the range of different crimes that constitute economic crime, there should be an overarching strategy with room to develop more targeted strategies for different economic crime types. An overarching economic crime strategy should provide a core theme, carried through all specific economic crime strategies to ensure complementarity across them in any future strategies.

A dedicated strategy to Economic Crime should be viewed as the foundation to all related actions in the context of improving the response to economic crime investigation and prosecution. As a result and in the context of this report, this recommendation should be viewed as underpinning all the recommendations made hereafter. By seeing the problems and challenges identified as a part of an interconnected system, the reform of each priority should influence improvements and strengthen the overall response to economic crime. While it is beyond the scope of this recommendation to set the priorities for Latvia in this area, several recommendations are made that should help to develop these priorities and strategy as a whole.

Conduct a threat assessment of economic crime in Latvia

Conducting a threat assessment of economic crime in Latvia, and the related performance of actors involved, will help to develop a better understanding of the threat posed and the nature and type of response offered currently. This is likely to require at least three activities. First, conduct a threat assessment of economic crime in the country, looking at the potential impact not just relating to crime, but also to the nation, security, economy, reputation, privacy, etc. These should not be viewed as silos, rather as interconnected and mutually dependent factors. The second element may be best done as a case review, whereby a random selection of cases from over the last few years is chosen and analysed to identify the specific problems that arose for cases or the things that worked well. Doing a case review is useful to find out the specific issues that are affecting cases at the individual level, which should also offer powerful insight into the threat posed and the efficiency of response. Third, there is a need to re-examine whether the powers, procedures and tools of law enforcement, the justice system and the private sector are effective, especially where a fresh approach is implemented.

Given the significant change in these areas over the last few years and at present, it may not appear feasible to make significant change again based on the findings of the threat assessment. To have a positive change in these areas, however, there is a need to look for and design innovative options to work within the current system, while at the same time doing it differently. This requires innovation, trust, cooperation, and interagency commitment. People selection is key, and managing risk proactively is required.

Carry out a stakeholder analysis of all actors involved in Economic Crime investigation and prosecution in Latvia

Identifying stakeholders is imperative, as there is a growing need to include actors outside the criminal justice system (CJS) in the proper investigation and prosecution of economic crime. This requires, first, an examination of all actors that are or could be involved in economic crime, or other crimes commonly committed in unison with such crimes. Drawing on the impact piece above will help identify actors that may not routinely be recognised as stakeholders in this area. Once identified, it is recommended that this activity be extended to examine the nature of their role, the data they have that may be of use, whether there are data sharing agreements, what agreements might be needed, etc. A stakeholder group often forgotten in this process is researchers who can have a really impactful role in designing, assessing, monitoring and measuring actions and impacts.

Second, once identified, it is good to hand pick interested, committed and enthusiastic individuals (even if only a small group at the start) to share innovative ideas, to take chances and risks, all with a shared belief in the new approach to bring about change. This helps boost the opportunity for early positive impact. It is also imperative to support these groups with management who have similar desires.

Conduct an analysis between existing and future required capacity, capability and skills of actors involved in Economic Crime investigation and prosecution in Latvia

Improving the response to economic crime investigation and prosecution in Latvia is likely to require building people's capacity and capabilities in some, if not all, areas. The information gathered during this analysis clearly demonstrates enhanced capacity and capability is needed regarding the proper investigation and prosecution of economic crime. The specific requirements, however, are likely to change based on the creation of a dedicated Economic Crime Strategy and if a new model was applied to such investigations. Thus, the analysis recommended should be conducted cognisant of the recommended strategy and a new investigative model being applied and the skills required to implement this.

In simple terms, the recommendation calls for an assessment of the current objectives of the response to economic crime, vis-à-vis an assessment of the skills, policies, practices, capacity and capabilities needed to achieve these. This analysis should also involve the newly identified stakeholders, as they are likely to bring new skills and capacities which should actually benefit the approach, and thereby reduce the overall need for certain skills.

Clearly define what successful investigation and prosecution look like and improve metrics for measuring it

To implement the last recommendation, a clear set of measurable objectives are required to define what a successful approach to investigation and prosecution looks like. This is currently not publicly available. It is recommended, therefore, that a collective effort be made between stakeholders in this area to determine and define what success looks like. Measuring impact is easier if the problem is clearly defined.

Taking a problem-oriented approach could assist in this regard, as it allows for a more scientific and methodological approach to measuring impact. In addition, such a metrics would help in determining where

progress is made in relation to recommendations and actions taken. For example, it is very difficult to measure whether recommendations of previous reports have been implemented and if they have, whether improvements have been made, because there are few, if any, performance indicators of success provided within these recommendations or actions taken. This is problematic, but is also because of the nature of the recommendations made and the absence of a clear agreement on what success might look like. As a result, it is recommended that clearer performance indicators are developed and aligned with all actions taken on foot of the recommendations contained here by collective agreement of the key stakeholders in this area. It is also highly recommended that reasonable timelines are aligned with such indicators, as different actions are likely to take effect over varying periods.

Within this context, and similar to other reports, there is merit in exploring and developing a better system to collect data and measure success. At present, there are developments in this area in relation to improved IT systems, so any action taken should bear this in mind, as the situation is likely to improve with implementing these new systems. For example, if changes are made to the investigative model on foot of this review, changes to these data gathering systems may be necessary to ensure data required for performance management is available.

Enhance innovation in the application of legislation and procedures

Some prosecutors and investigators noted that where cooperation was good between them, there was a growing tendency to be innovative in how the law was applied and utilised. There are merits to such approaches for complex and evolving crime types. Investigations and prosecutions must stay at pace with evolving patterns of criminality. The fortunate thing about the criminal justice legal framework in Latvia is that it is broad enough to provide multiple procedural choices. Understanding such choices, and how they relate to differing context is key for both police and prosecutors being flexible to respond differently when required. This may also provide a mechanism to deal with simple and complex cases differently, without having a strict protocol for all cases.

To do this effectively, experienced, driven teams of investigators and prosecutors should be allocated to new complex cases, or older cases in which a resolution has yet to be found. At the start, it would be useful to have several mechanisms to identify such cases. This could include, for example, identification by the Prosecutor General's Office, by the Lead Investigative Prosecutor and/or the Lead Investigator. Once identified, a small interagency team could be appointed that would examine innovative ways to approach each case. Individuals are already reportedly doing this, so their experiences should be gleaned in advance and their momentum used to streamline this as a process. It would be pertinent to closely monitor such cases to firmly establish what works and what does not, and appropriate action taken to change responses if necessary, or if effective to circulate such learning.

Develop a different system for dealing with simple and complex cases

There is clearly a difference in how the State Police and the Prosecutors deal with simple and complex investigative cases. The former being dealt with predominately by the police, and the latter requiring more intervention with the prosecutors. It might be easy to jump to the conclusion to allow this process to continue, given that the interviewees report large workloads on the part of the prosecutors, making it unlikely that they could oversee all investigations. For new investigators, however, they may not have the experience or know how to deal with even the simplest cases, so any new system for simple cases, should have early intervention by the prosecutors even if only to sign off a course of action for the more experienced investigators. This way, new investigators will develop good skills through oversight and cooperation with the prosecutors. Moreover, this approach will also enable prosecutors to better anticipate and manage their own workloads and appropriately balance the allocation of resources between simple and complex cases.

A process of early intervention by the prosecutors in all cases may also mitigate unintended avoidance practices on behalf of police officers. If the police learned that simple cases avoided interaction with the prosecutors, they may start splitting up cases to detract from their complexity; thus, benefiting from an unintended change in approach (e.g. the case with 700 victims, could be dealt with as 700 individual cases). Therefore, early intervention would allow prosecutors and the police to decide on the best approach for each case, including coordination on the allocation of resources, investigative strategies, and the sequencing and timeline of activities. Such early intervention would increase accountability and could act as a mechanism of oversight to ensure compliance with the law and guidelines for both police and prosecutors. In this way, protecting both the police and prosecutors for allegations of misconduct or improper practices. The important thing here is that a change to how simple and complex cases are dealt with needs to be cognisant of both new police and prosecutors and the opportunity to learn on simple cases, while also not indirectly providing some officers with an opportunity to misuse the system. There is also a need to ensure workloads are managed better to ensure parties have the capacity to fulfil these roles effectively.

In the context of more complex cases, the situation appears to be improving, so this should be given time to continue. In the interim, a quantitative review of all cases in the last few years should be conducted from report to police, prosecution and conviction, to see if the situation is actually improving. This should be coupled with a qualitative approach using a random selection of cases, to examine the problems or challenges that are present in these cases, and how they are being overcome and contributing to these positive improvements. Even if it is deemed to be effective, this opportunity should be seen as a chance to tweak the system to ensure further improvements can be achieved. Any big changes in this area at present may undermine the improvements that have been seen in the cases and prevent positive change having time to take effect.

Develop a comprehensive Training Strategy for the Latvian State Police

Issues pertaining to training are clearly identifiable in the investigation and prosecution of economic crime, with the closure of the Police Academy reported as a significant influencing factor. Similar to the need for a strategy specific to economic crime, it is highly recommended that the Latvian State Police explore the need to revitalise their training curriculum as a matter of priority, to ensure police officers are provided with the cross-functional and skills-based training they require at the point of entry into the organisation, but also as they move through the organisation, including specialized training curriculum designed for the different expert roles. There should be a focus on cross-functional and skills-based approach to training. For example, a financial crime investigator should be proficient not only in areas like accounting and financial analysis, but also using computer software that helps to summarize and visualize financial evidence (Excel, MS Power BI, IBM i2 Analyst's Notebook, etc.) and digital evidence. These skills are necessary given that metadata from electronic records can be vital source of proof in cases of economic crime, corruption, and money laundering.

One of the first steps in this regard is to ensure that any changes are made within the broader training strategy of the Latvian State Police, which would benefit from having at least three layers—organisational training, role specific training, and professional development. It was evident in the review that there are different training needs and professional skills for different roles in the process of investigation and prosecution. No one curriculum will address all, therefore, it is recommended that each role is identified, responsibilities and requirements are assessed and training provided, prior to undertaking such positions. This does not take away the need for continuous professional development throughout service.

Training needs may overlap across different units or positions. This should be considered as beneficial, as inter-unit and interagency training is useful and can help develop relationships and identify shared goals. This is likely to be more impactful during professional development, rather than role specific training, but

either way, it should be viewed as an opportunity for positive engagement and networking, elements highlighted as important during the analysis.

Assess role requirements and develop a dedicated training curriculum for Serious Crime Investigators in Latvia

In the context of economic crime investigators specifically, it is recommended that the State Police review the investigative model to be adopted and then build a new, dedicated and role led curriculum that all investigators are required to complete before taking up their new positions. This curriculum should be reviewed periodically to ensure it stays in tune with the changing landscape and also be flexible enough to be adapted if and when changes are made to investigative models. The content of the course should be developed with clear input from investigators and prosecutors to ensure it is fit for purpose and equips them with the information and learning opportunity required.

This recommendation is timely, given that there are plans in place and work progressed to introduce dedicated training for specific roles in 2022, such as serious crime investigations. Thus, this recommendation is made to ensure this is prioritised and that any recommendations made on foot of this report are communicated with those responsible for designing the training content to confirm the material is in line with any changes in the investigative model, or approach taken to economic crime investigation and prosecution more broadly. Careful communication between training content creators, investigators and management is key to ensuring training needs are met.

Enhance specialisation in financial, economic and corruption crimes

Similar to the OECD report (2021) it is highly recommended that both the police and prosecutors look to enhance specialisation in economic crime investigations, forensic expertise and prosecutions, in terms of roles and skills (OECD, 2021^[1]). The complexity and specificities of such crimes require specialist, professional responses, which can only be built up through education, training, experience, and mentorship. Mentorship also ensure that officers are learning “on the job” in an effective manner. It should be borne in mind that specialisation and professionalisation in this area are likely to make both prosecutors and investigators more attractive to the private sector, which could be an unintended risk that needs to be managed.

Enhance attractiveness of the prosecution and investigation as a profession

An observation noted in the OECD report (2021) related to attracting and retaining the right human talent to the prosecution office. A similar reflection was made in this research in relation to investigators and forensic experts, as it is reportedly difficult to attract and retain these investigators because of the nature of economic crime investigation and the movement between other institutions and departments in the State Police. Some noted that talented investigators were increasingly been headhunted by the private sector. Thus, it is important to examine sustainable mechanism that motivate people to join and stay for prolonged periods so they can acquire the specialist knowledge and experience needed, and use this for the betterment of economic crime investigation. This is unlikely to be fixed solely with promises of greater remuneration. Consultation with stakeholders is important in this regard to ensure the underlying motivations and reasons for leaving are understood.

Reference

OECD (2021), *Performance of the Prosecution Services in Latvia: A Comparative Study*, OECD Publishing, Paris, <https://doi.org/10.1787/c0113907-en>. [1]

1 Investigation and Prosecution of Economic Crime in Latvia: Framing the Problem and Existing Challenges

This chapter introduces the context in which this report is situated and outlines the importance of a professional and robust investigation and prosecution process into economic crime in Latvia. It sets this context by framing the problem and challenges that currently exist in Latvia at present, before briefly outlining the background to the study, the methodology and approach taken. The chapter also sets out how the gap analysis was conducted, benchmarking standards against extant literature and good practices identified pertaining to economic crime investigations.

The Latvian Parliament prioritise economic crime investigations in Latvia at the official state level, as evident in the National Security Strategy 2019, recognising the threats posed by the exposure to economic crimes for the national economy (Government of Latvia, 2019^[1]). This influenced, in part, a recognition of the need to strengthen the capacity of law enforcement institutions to detect and investigate economic and financial crimes. This has been an impetus to this report, which serves to support the Latvian State Police in this area by identifying the gaps in the criminal justice system (CJS) where they pertain to the successful investigation and prosecution of financial crimes. It does this by reviewing the current state of play in Latvia and in the broader landscape relating to the investigation and prosecution of economic crime more generally, drawing extensively from previous reports that explored this topic over the last ten years in Latvia and elsewhere.

In early 2021, the State Audit Office of Latvia highlighted that the investigation and prosecution of economic crime required greater attention, specifically calling on the investigating institutions and the Prosecutor's Office to cooperate more closely in relation to the efficient investigation and prosecution of financial and economic crime (State Audit Office of Latvia, 2021^[2]). They further noted that the "quickest and most efficient investigation and prosecution of financial and economic crimes depend mainly on the effectiveness of pre-trial investigations and the quality of public charges brought to court" (State Audit Office of Latvia, 2021^[2]). This observation reiterated what was identified in previous audit reports, and other reports directly or indirectly examining the investigation and prosecution of economic crime in Latvia that had previously been conducted. Observations made in other reports, but reiterated in the 2021 report, included challenges such as excessive workloads of investigators and prosecutors, lengthy investigations and trials, the lack of a common understanding of law enforcement, uncertainty about the most important circumstances that needed to be proved, and the set of evidence necessary for proving the guilt for various types of criminal offenses (State Audit Office of Latvia, 2021^[2]).

On a positive note, and at a similar time as the State Audit Office made its recommendations, long overdue amendments were made to the Law on Criminal Proceeding, which were adopted in November 2020, and came into force in January 2021. Much of these amendments focused on facilitating the investigation of money laundering cases and speeding up related criminal trials (Vaisla and Petrov, 2020^[3]). These amendments, in part, were a response to criticism made in previous reports that examined this area, such as the State Audit Office report 2017, the OECD Report–Performance of the Prosecution Services in Latvia (2021, and the Fifth Round Mutual Evaluation Report (2018) and were based on a perception that there was an apparent lack of significant successful prosecutions relating to economic crime (State Audit Office of Latvia, 2017^[4]; OECD, 2021^[5]; Moneyval, 2018^[6]). For example,

"According to the data provided by the State Police to the State Audit Office (Latvia State Police, 2019), in 2018, less than 13% of the criminal proceedings in the records of the Economic Crime Combating Board of the State Police (i.e., 74 criminal proceedings out of 587 pending criminal cases) were sent for prosecution, 10% in 2017, and 13% in 2016 (Latvia Court Administration). The Ministry of the Interior has pointed out the problem in its submissions to the government that only 12 out of 399 money laundering criminal cases were prosecuted between 2013 and 2016, and judges often criticise even those cases that go to court because there is a lack of sufficient evidence to reach a judgement of conviction at the same time (Ministry of Interior, 2018). Research by the State Audit Office suggests that an insignificant number of criminal cases have been initiated in courts for money laundering during the last decade, namely, 95 cases, of which 57 cases (or 60%) have been resolved. There was a judgement of conviction given in 39.5% of cases and a judgement of acquittal given in 7% of cases (Ministry of Interior, 2018)" in (OECD, 2021^[5]).

While these figures look very concerning from the point of view of mitigating the risks of such crimes on the economy of Latvia and on its people, nuance is often required when interpreting such numbers. The report seeks to provide this level of refinement and insight exploring the ongoing challenges regarding the proper and effective investigation and prosecution of economic crime. Building on what has been written on this topic in Latvia to date, it aims to conduct this gap analysis within the backdrop of a growing recognition that economic crimes are amongst the fastest growing criminal threat in Europe and are often some of the most difficult to prosecute (Europol, 2020^[7]). The European Council also noted this, stating

that “many investigations come to a dead end because of failure to secure timely, accurate and comprehensive access to the relevant financial data” (European Commission, 2018^[8]), which reflects the extant literature (Ligeti and Franssen, 2017^[9]). The number of prosecutions and convictions for such crimes globally, are, in fact, low (Ligeti and Franssen, 2017^[9]). Understanding the broader context in which economic and financial crime is committed and the drivers behind it is important in understanding the current challenges presenting in Latvia.

Economic and financial crimes are often highly complex and pose a significant threat to the economy and financial sectors and have routinely been committed in tandem with other criminal activities. The financial aspects often range from simple fraud to more large scale and highly sophisticated operations, often combining licit and illicit financial transactions. This confluence of legal and illegal activities and actors results in complex and challenging conditions for investigations and subsequent prosecutions to take place. Moreover, through the exploitation of legitimate business opportunities, these crimes often go undetected. It is this, coupled with the complexity and sophistication of these crimes, and growing level of technical innovation and digitalisation within them, that can make them both hard to detect and investigate, for Latvia and other nations.

Europol noted in 2020 that “despite all measures taken to combat economic and financial crimes, opportunities for these types of crimes have increased as the market for legal financial services has diversified and technology continues to change the way and speed of how financial transactions occur” (5). These elements present a very conducive environment for economic crimes to be committed with limited chance of detection, never mind prosecution. As a result, they are what many see as low risk and high profit. An interesting observation in the literature in this regard is that “the capacity of the criminal justice system to control crime may be diluted by an increase in crime rates, which then causes a reduction in the likelihood or severity of punishment—resulting in further increases in crime” (Machin and Marie, 2014^[10]). Thus, in the backdrop of increasing rates of economic crime across the world, the recent reported increase of economic crime cases reported in Latvia may in fact be directly reducing the likelihood of prosecution, rather than the direct result of mal or improper practices. Not that improvements to existing challenges in Latvia would have no impact, rather it may help to understand why, despite implementation of many of the recommendations of previous reports in this area, only a limited impact has been achieved.

This presents an immense challenge for law enforcement in Latvia, and across the world, especially post COVID-19, in which Europol asserts that there will be a continued increase in the number of cases involving economic crime (Europol, 2020^[7]). To respond, Europol note that “successful law enforcement actions against these complex schemes require close international cooperation across several jurisdictions, often involving non-cooperative offshore tax havens, as criminals operate without regard for international borders” (Europol, 2020^[11]). The ability to work well with the international law enforcement community is therefore very pertinent in Latvia, given that many of their cases have a cross border dimension (Moneyval, 2018^[6]; OECD, 2018^[12]).

It is within this backdrop that this report positions itself, one which requires careful attention as to the distinction between challenges that are specific to Latvia as they pertain to economic crime investigation and prosecution, and those influenced by the nature and characteristics of economic crime more generally. It builds on the State Audits Office’s recommendations and those made in the other aforementioned reports, the legislative changes, the desire of the State Police of Latvia to increase the number of successful prosecutions relating to economic crime (See Box 1.1), whilst being mindful of the broader context in which these cases emerge.

Box 1.1. Latvian State Police’s most recent strategic objectives in relation to economic crime

Strategy of the Ministry of the Interior State Police for 2020-2022. 3.3. Sector of action: Prevention of and fight against crime - Decrease level of crime (including economic crime); State Police Action and Development Strategy for 2021-2022. Fight against crime. Purpose of the activity: Improve the speed and quality of pre-trial investigations in the fight against crime. (Including economic crime)

Source: Provided by the State Police to the author.

The report also seeks to provide insights into why many of these long-standing issues remain despite numerous reports referencing their existence, and significant action taken to address them, with a view of generating recommendations to support sustainable improvements in both the investigation and prosecution of economic crime in Latvia. It is time for a new approach if real change is desired, however, as Braga and Dusseault proclaimed, “it is time for a period of innovation in the work of criminal investigators that develops their potential for controlling crime rather than handling only the cases that come their way.” (Braga and Dusseault, 2016^[13]).

Study background and methodology

The OECD is currently implementing a project on increasing effectiveness and quality of the economic crime investigations in Latvia. This research is conducted to support the implementation of this project, motivated by a desire to better advise the State Police of Latvia on how to increase the number of successfully prosecuted economic crimes. The research takes the form of a gap analysis, which will inform recommendations and specific actions to improve cooperation and coordination mechanisms in Latvia among the State Police departments (Economic Crime Enforcement Department, Forensic Service Department, and regional departments), involved in economic crime investigation, and also between the State Police and other institutions (Prosecution Office, Corruption Prevention and Combating Bureau of Latvia, State Revenue Service).

To do this, it considered the level and quality of cooperation and coordination on investigations and handling of evidence for such crimes as the circulation of illegal goods and illegal circulation of excise goods, and economic crimes that have a direct negative impact on the business environment in Latvia. In doing so, it aims to identify the process by which investigations within the State Police are triggered, investigated, and sent forward for prosecution, with the view to identifying opportunities along this process to increase the number of successfully prosecuted economic crime cases. It also explores the internal regulations and practices in place both in the police and prosecutors and identifies challenges and practical factors that impede economic crime cases either being transferred for prosecution or terminated.

Analytical Framework of the study

The information considered for this study stemmed from two key sources, available literature, including reports and interviews. First, a review of literature on economic crime investigation pertaining to Latvia was conducted. A systematic approach was used to assess the quality and relevance of the literature found. Similar to expectation only limited academic journal articles relevant to this study were discovered, most which did not specifically relate to economic crime in Latvia. To supplement this, grey literature, such as

reports, policy documents, oversight assessments, were also included in this review¹. A variety of documents were deemed relevant and were included in the analysis, as set out in Chapter 2.

Second, and to further enhance the robustness of this report, 21 interviews were conducted with a range of experts involved in economic crime investigations in Latvia. A purposeful sampling method was used to identify suitable interviewees, who were selected primarily based on their expertise and knowledge in the area. These interviews were used to gain first-hand insights into the current state of play in economic crime investigation and prosecution. The interviews were conducted remotely throughout the period of June and October 2021, via Zoom or Microsoft Teams. Based on the information provided in the interviews, several special requests were made for supplementary information after the interview. This material was used to support the assertions made throughout the interviews and to explore some identified challenges as set out in the key reports. These requests predominately pertained to statistical information and clarification on factual material.

Once the documents were reviewed and interviews conducted, an analysis of the information was carried out to determine the extent of the existing gaps in coordination and cooperation regarding the investigation of economic crime cases. Based on these findings, additional interviews were conducted with representatives from peer countries to assess the current state of play in Latvia vis-à-vis their own national experience². This information was then used to further assess the extent of the gap in Latvia at present. The time and information provided by all was very much appreciated as it provided substance and context to this report. There was a good gender balance to the interviewees (approximately 50%) but also across the institutions represented and positions held. Not only is this positive for the research but serves also to show the representation of women in the investigation and prosecution of economic crime cases in Latvia. Quality control activities were conducted during this report. Once an agreed draft was reached, this was shared with several key individuals for their critique and feedback. Their suggestions and comments were assessed and added to the final version of the report, where appropriate.

The report is structured as follows: first, it brings together the key recommendations made on the information analysed throughout the report in an Assessment and Recommendations section, which sets out a range of specific, actionable recommendations, which are offered to further improve the performance of the Latvian State Police regarding economic crime investigation. These are based on conclusions drawn from the research conducted. It then begins with an overview of the investigation and prosecution process into economic crimes in Latvia, exploring the actors, processes and practices pertaining to such investigations, and the nature and type of crimes that are most commonly associated with economic crime investigations in Latvia. It also provides a brief statistical overview of the extent of the problem.

The third chapter provides a high-level synopsis of key documents that include previous assessments of existing challenges pertaining to criminal investigations in Latvia. Some are general to all crimes, while others are more targeted at economic crime, but equally provide an important context to this study. The chapter summarises the key findings of these reports and the relevant recommendations made.

Chapter four builds on these by drawing insights from the interviews to give a more up-to-date picture of the current state of play, specific to the investigation and prosecution of economic crimes in Latvia.

Chapter five draws further on the previous chapters and extant literature highlighting a selection of gaps that require attention and that may benefit from improvements. A small selection of international cases is used to contextualise examples of good practice but are not an exhaustive list. The selection of good practices was based on the assessment of the existing challenges pertaining to the proper investigation of economic crime cases in Latvia and known examples that may help address these. The characteristics of the problems identified were used to assess the merits of the approaches exemplified. This was conducted to ensure the mechanism behind the success of the recommended actions addressed the problems highlighted during the study.

Notes

¹ The inclusion of this material, whilst informative, also mitigates the risks or disadvantages associated with an over reliance on one particular source of information. For example, academic journals which are often subjected to ‘publication bias’, timeliness and relevance. The time to complete the publication cycle for such articles can mean the documents do not stay pace with trends and patterns. With economic crime, this is a limitation, as the evolution of this crime type continues to evolve at a pace which the relating literature has not maintained. In contrast, an overreliance on the grey literature, governmental or non-governmental open-source material, for example, can also be problematic. These documents often lack the analytical rigour of academic research, which can make it difficult to determine the level of confidence one can have in the findings. Thus, including a wide range of documents helps to mitigate many, although not all, of the limitations of depending on either as a single source.

² Interviews were held with individuals from the US and United Kingdom.

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2 Overview of the Investigation Process in Latvia

This chapter provides a high-level overview of the investigation and prosecution of economic crime cases in Latvia, exploring actors, processes, and practices involved. It sets out the nature and type of crimes that are most commonly associated with economic crime investigation in Latvia and provides some statistical insights into the scale of the problem, before briefly looking at the laws most commonly used in this area.

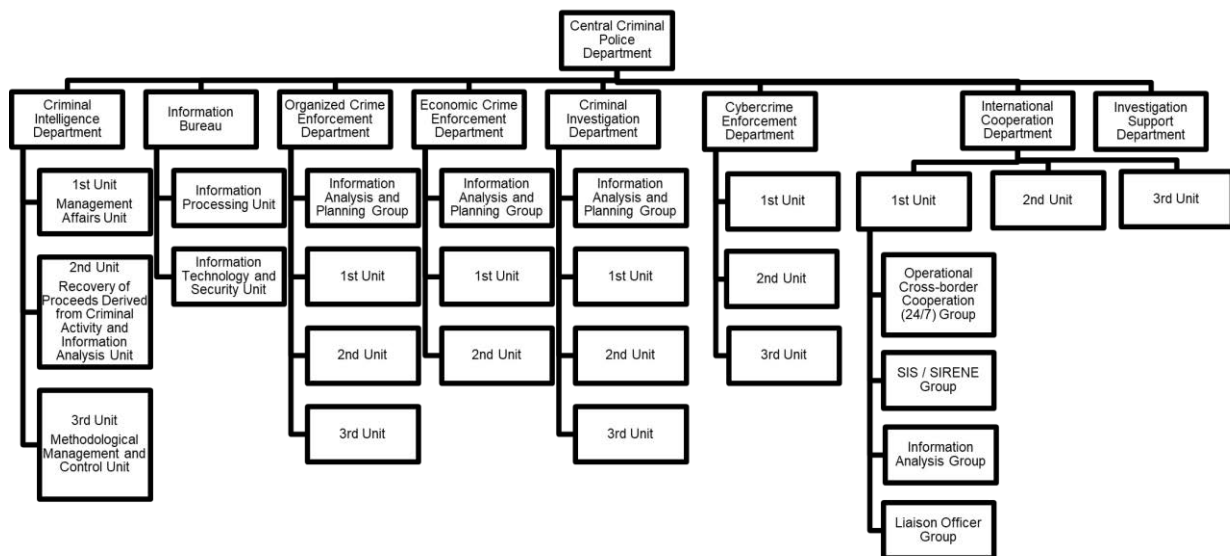
Introduction

The State Police are not the sole body responsible for investigating crime in Latvia, but it is described as one of the largest, investigating approximately 95% of registered criminal offences (State Audit Office of Latvia, 2017^[1]). As a result, this study largely focuses on their role in the investigation of economic crimes, and their cooperation and collaboration with stakeholders. The chapter begins with an introduction to the policing organisation, its responsibilities and structure, specifically as they pertain to the investigation of economic crimes. The chapter also provides a brief identification of other law enforcement bodies in Latvia to demonstrate the multiplicity of actors working in this area. It outlines units, agencies, and organisations that the State Police work with and alongside in these cases and describes the roles, responsibilities and relationships that exist between them. In this way, the chapter serves as an informative insight into the eco-system pertaining to economic crime investigation and prosecution in Latvia.

Role and Responsibilities of the Latvian State Police

The Latvian State Police is an institution of the state with the responsibility “to protect the State and society from criminal and other illegal threats to life, health, rights and freedoms, property and interests” (The State Police of Latvia, 2020^[2]). It has the legal jurisdiction to investigate all offences except those assigned to bodies with specific competences. This includes having a remit to investigate allegations of economic crimes, such as money laundering (ML), false accounting and crime relating to excise fraud. The State Police has a central authority and five regional units (See Figure 2.1). The central authority organises and co-ordinates activities of the structural units within the organisation.

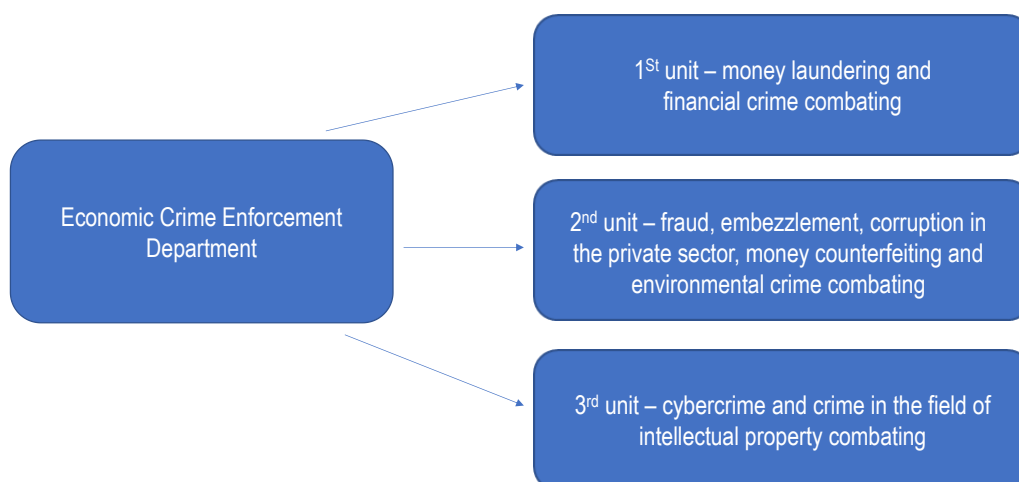
Figure 2.1. Central Criminal Police Department of State Police of Latvia



Source: Provided by the State Police of Latvia to the author.

In economic crime, the unit with specific responsibility is the Economic Crime Enforcement Department (ECED), which is positioned within the Central Criminal Police Authority, and at the time of writing, contained the Cybercrime Unit (see Figure 2.2).

Figure 2.2. Economic Crime Enforcement Department



Note: At the time of writing this report, the State Police of Latvia were undergoing structural changes that will include the Cybercrime Enforcement Unit becoming the Cybercrime Enforcement Department as of July 2022.

Source: Provided by the State Police of Latvia to the author.

The ECED, while a dedicated unit for the investigation of economic crime within the State Police, it is not the only one that investigates economic crimes. Regional units also have a remit in this regard. At present, there are no dedicated units to economic crime investigations at the regional level that specifically focus on the investigation of economic crimes, rather they do so in conjunction with other serious crimes¹.

Other policing and investigative bodies and authorities that also have a remit to investigate economic and financial crimes in Latvia are set out in Table 2.1.

Table 2.1. Additional bodies and authorities that have remit to investigate economic and financial crime

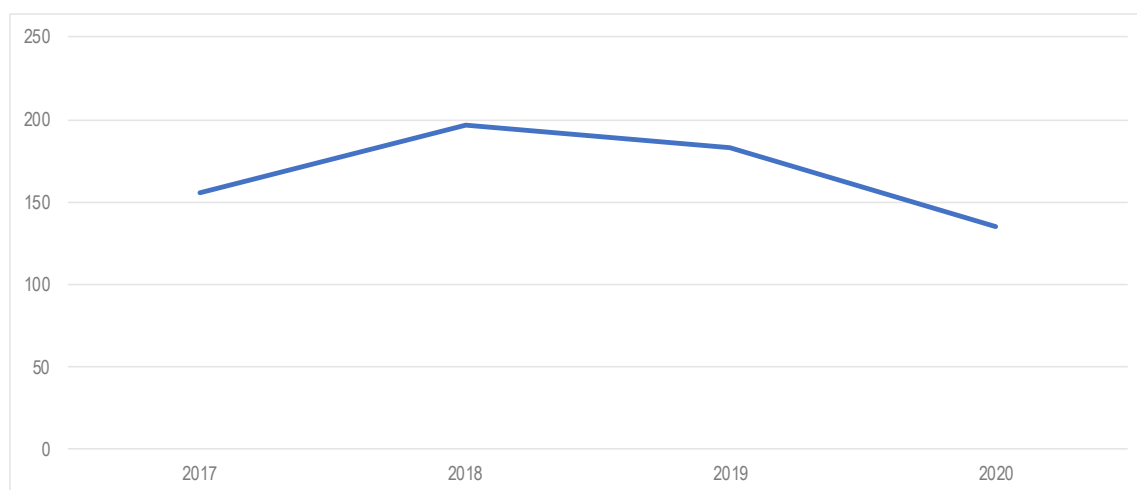
Institution or Unit	Responsibilities
Corruption Prevention and Combating Bureau	<p>The Corruption Prevention and Combating Bureau perform the following functions in the fight against corruption:</p> <ul style="list-style-type: none"> • in cases specified by law, holds public officials to administrative responsibility and applies penalties for administrative violations in the field of prevention of corruption; • conducts investigations and operational activities in order to detect criminal offenses provided for in the Criminal Law in the service of state institutions, if they are related to corruption; • conducts investigations and operational activities to detect criminal offenses provided for in the Criminal Law, if they are related to the violation of the funding rules of political organizations (parties) and their associations and if they are not within the competence of state security authorities according to law. <p>In accordance with the Criminal Procedure Law, the competence of the Corruption Prevention and Combating Bureau includes the investigation of the following criminal offenses in the service of state institutions: Exceeding the powers of the official, Abuse of powers of the official, Inaction of a public official, Bribery, Embezzlement of a bribe, Mediation in bribery, Bribery, Violation of restrictions imposed on a public official, Unauthorized participation in property transactions, Trading in influence, Illegal claiming and accepting of benefits, Counterfeit service (for greedy purposes), False service report, Disclosure of undisclosed information, Disclosure of undisclosed information after leaving office.</p> <p>Authorized officials of the Corruption Prevention and Combating Bureau investigate criminal offenses related to violations of the funding regulations of political organizations (parties) and their associations, as well as criminal offenses in the service of state institutions, if they are related to corruption.</p>
State Security Service	<p>In order to ensure the protection of the state's economic security interests, the SLS carries out counter-intelligence and operational activities aimed at obtaining timely information on activities that threaten economic sovereignty. To this end, the SLS cooperates with the other two state security institutions (the Constitution Protection Bureau and the Military Intelligence and Security Service), as well as the services of foreign partners.</p> <p>The SES regularly informs the highest state officials, state and local government institutions, which are competent to make decisions and organize measures to eliminate the identified risks, about the identified risks to economic security.</p> <p>Authorized officials of the State Security Service investigate criminal offenses committed in the field of national security or in national security institutions, or other criminal offenses within the scope of their competence and in cases where the investigation has been ordered by the Prosecutor General.</p>
Internal Security Board of the State Revenue Service	<p>The tasks of the Internal Security Board of the State Revenue Service are:</p> <ol style="list-style-type: none"> 1) to perform the operational activities specified by law in order to detect and prevent criminal offenses in the activities of officials (employees) of the State Revenue Service which are related to the performance of their duties. 2) to conduct investigations in criminal cases regarding criminal offenses which have been established at the disposal of officials (employees) of the State Revenue Service and which are related to the performance of their duties. <p>Authorized officials of the State Revenue Service tax and customs police investigate criminal offenses in the field of state revenue and customs matters.</p> <p>Officials of customs institutions have the rights specified in customs regulatory enactments, but when conducting investigations in cases of criminal offenses in the field of customs matters - the powers specified for an investigator in the Criminal Procedure Law.</p>
Tax and Customs Police of the State Revenue Service	<p>The tasks of the Tax and Customs Police of the State Revenue Service are:</p> <ol style="list-style-type: none"> 1) to perform the operational activities specified by law in order to detect and prevent criminal offenses in the field of state revenue; 2) to conduct investigations in criminal cases regarding criminal offenses established in the field of state revenue; 3) to fulfil the international obligations which the state has undertaken in relation to the customs; 4) to conduct investigations in cases regarding criminal offenses in the field of customs matters and the operational activities specified by law in order to detect and prevent criminal offenses in the field of customs matters.
State Border Guard	<p>Authorized officials of the State Border Guard investigate criminal offenses related to illegal crossing of the state border, illegal movement of a person across the state border or illegal stay in the country, as well as criminal offenses committed by the border guard as a state official.</p>

Source: Provided by the State Police to the author.

Economic Crime figures in Latvia

Anecdotally, the number of economic crime cases in Latvia is reportedly increasing, with the nature and scale changing and becoming more complex, in part, because of the increasing role of the internet in such crimes. The figures provided by the State Police do not confirm this observation in its totality. For example, there is a reduction in economic crime cases reported and investigated overall since 2018, a pattern similar to crime investigation more broadly. That said, figures for 2021 are already showing an increase on 2020.

Figure 2.3. Number of Economic Crime investigated by Police in Latvia



Note: The statistical data for Latvia are supplied by and under the responsibility of the relevant Latvian Authorities.

Source: OECD work adapted from statistics provided from the State Police to the author.

For cases specifically relating to Money Laundering, however, there is an increase in cases investigated by the State Police, increasing from 177 in 2019 to 285 in 2020. 2

Eighty-eight percent of all crime cases reported to the police in 2020 were later investigated, which is similar (87%) to the rate in relation to economic crime cases. This is a marked improvement on the previous two years, where there was a 10% difference between economic crime reported and investigated compared with all crimes³. In cases moving from investigation to prosecution since 2017, there has been a year-on-year decrease in the number of cases going forward for prosecution. However, when examined as a percentage of the annual number of crimes, there has been a year-on-year percentage increase from 33% in 2017 to 47% in 2020, which is positive and in line with the goals to increase the rate of cases going from investigation to prosecution.

Process of Criminal Investigations

In financial and economic crimes in Latvia, the main type of crime includes those pertaining to “tax evasion, booking counterfeits, fraud in paying salaries (salaries paid in dark), violations of copyrights, money laundering, violation of commercial secrets, selling of excise goods, unregistered business activities, insolvency, smuggling, customs violations, cash smuggling at the borders, etc.” (OECD, 2021^[3]). The different crimes that constitute economic and financial crimes illustrate how a simple term ‘economic and financial crime’ represents a myriad of activities, all with their own specificities. It is beyond this report to go in depth into any economic crime type but given the diversity of crimes under this category it is worth

remembering that each one is likely to have its own peculiarities that require different responses and expertise—further placing demands on investigators and prosecutors.

When crimes are reported by the public or brought to light via intelligence gathering and related police work, an investigation is conducted to determine if a crime has been committed or is suspected to have been committed⁴. If a crime has been committed, a full investigation is initiated. According to the Criminal Procedure Law (CPL) in Latvia, the case should be reported by the police to the prosecutor to get their instructions on how best to investigate the case, what evidence should be gathered and from where, and other related activities required (State Audit Office of Latvia, 2017^[1]). During the processes of investigation, the police gather and review material, intelligence, and evidence, and use this information to inform the case that is later passed to the prosecutor.

Depending on the case, investigators are likely to require different information and services from a myriad of individuals and organisations to help in the investigation. This need for additional expert skills reflects the complex methodologies that are increasingly being used by criminals in this area to maximise and exploit vulnerabilities (HM Treasury and Home Office, 2021^[4]). These can result in the police needing to engage with a host of different governmental bodies for support, such as the Forensic Services, the Criminal Intelligence Department, and the Financial Intelligence Unit (FIU). Externally, they may also have to communicate directly with victims, businesses, financial institutions (FIs) (both at home and abroad), international policing bodies, notwithstanding the prosecutor's office. It is within the context of these complex investigations and prosecutions that the next section is situated, setting out the range of other institutions and bodies the State Police (and other law enforcement agencies) engage and interact with during an economic crime investigation.

Internal Policing Bodies

During investigations relating to economic crime cases, the State Police provide several services to support the operational activities, while other units or departments indirectly influence practices, for example, those involved in training and international relations. This section sets out the key units highlighted throughout the interviews that commonly provide such support, firstly looking at those who provide services during the investigation, before looking at those who provide indirect support:

Forensic Services

The mission of the Forensic Service Department (FSD) is to provide high-quality forensic services to law enforcement agencies in Latvia. The Department comprises several units: DNA Analysis Unit, Chemistry Examinations Unit, Orology Examination Unit, Questioned Documents Unit, Forensic IT and Forensic Audio and Speech Analysis Unit, Accountancy Audit Unit, Firearms, Tool marks and Fingerprint Examination Unit, Regional Bureau—Crime scene investigations, Quality management Unit (Forensic Service Department, 2021^[5]). In economic crime investigation, the service most commonly requested relates to forensic accounting, and increasingly Forensic IT services.

Criminal Intelligence Department

The Criminal Intelligence Department does not get involved in active investigations, rather, it is a supportive office that oversees and considers investigative actions. Where gaps are identified, training is provided to ensure the police can maximise the investigative actions available to them. Experts are drawn from a host of different departments, internally and externally, to provide such training. The unit also routinely gathers and circulates information on new and emerging trends, and innovations in crime and crime types. They explore ways to respond and mitigate affects. The CID also collates statistics and provides them for

inclusion in annual reports, etc. These are used to see if the goals of the State Police have been implemented effectively and are leading to improvements.

The CID is also pertinent regarding this study, as it managed the implementation of the recommendations set out in the State Audit Office Report of 2017, which is just being finalised. It created a plan of action in conjunction with the courts, police, revenue, and corruption office, to mitigate the criticisms identified. Their role in doing so came from a request by the Ministry of the Interior (MOI). It has worked with a host of units and experts to implement the changes recommended in the report.

Police Training College

Until several years ago, the State Police had two training bodies, the State Police College, which delivered vocational training to junior officers, and the Police Academy of Latvia, which delivered professional tertiary level education to specialists and senior officers. In 2010, the Police Academy closed, leaving the State Police College as the core educational establishment for the State Police. The aim or mission of the college is to “to train police officers for professional service in the national police, according to the requirements and order of the State Police, as well as the implementation of the State Police staff professional development system in conjunction with the course of future progress” (State Police College of Latvia, 2021^[6]). The college has been providing training since 2006. It provides training to new officers, through three main programmes—vocational, graduate, and professional programmes⁵. It also provides less formal training to serving police officers in person and through e-learning. All training is accredited and delivered by qualified trainers, or former police and prosecutors. Training curriculums are currently designed after careful consideration and communication with the State Police, and through feedback from officers every year⁶. This helps to ensure the training provided meets the needs of the officers and police force at large.

International Cooperation Department

The International Cooperation Department (ICD) of which the Mutual Legal Assistance Unit oversees requests made by the police to foreign countries is situated within the State Police of Latvia. It is part of the Central Criminal Police Department and is made up of two other units dealing with international affairs. It was noted in the interviews that cases are increasingly requiring such assistance. The Department supervises the requests coming from the police and ensures that the request meets the standards expected and can actually be answered by the country receiving it. It currently has 8 police officers and 11 interpreters, with four investigators dealing with incoming Mutual Legal Assistance (MLA) requests and 4 MLA Orders issues by State Police, but with its increasing workload, reportedly requires more staff. Requests for additional staff have been made since 2019, and every year since, but no new positions have been sanctioned.

External Institutions

Investigations, however, require not only the services from other units within the State Police, especially in economic crime investigation, where external support is often required. This section sets out the key organisations and bodies most commonly involved in such cases, as identified in the interviews, and describes their role in the process, in brief. Box 2.3 illustrates other bodies involved in developing policy and legislation, and oversight in this area

The Prosecutor's Office

The Prosecutor's Office is the institution of the judiciary that supervises the respect of legality independently within the area of responsibility specified in the Law on the Prosecutor's Office and the Law on Criminal Procedure (OECD, 2021^[3]). It supervises and conducts pre-trial investigation, initiates, and

conducts criminal prosecution, maintains charges of the State, etc. In some countries, the lead police investigator leads the investigation, but in Latvia, the prosecutor has the power to lead the investigation from the outset, as legislated for in the Criminal Procedures Law (2005). The prosecution services are organised as a centralised, hierarchical structure with three levels of responsibility: central office of the Prosecutor General, regional offices and district offices. All prosecutors' offices have responsibility in relation to the investigation and prosecution of economic crimes, supervising the investigation by the relevant police force (OECD, 2021^[3]). The prosecution of economic crimes resides at the district level prosecution offices.

Financial Intelligence Unit (FIU)

The Financial Intelligence Unit of Latvia is “an independent authority, and its responsibility lies with prevention of money laundering in Latvia, with the goal of eliminating the possibility of using the Latvian financial system to launder money or finance terrorism” (The Financial Intelligence Unit of Latvia (FIU), n.d.^[7]). The function of the FIU is to provide information to pre-trial investigating institutions, the Office of the Prosecutor, and/or a court, relating to suspicion that someone has committed a criminal offence. For example, money laundering, terrorism, and proliferation financing, or attempt to commit same. In relation to the investigation of economic crime, the work of the FIU is critical to the work of the State Police and the other law enforcement authorities (LEAs), in active cases and also in relation to non-conviction-based confiscation.

Economic Court

An area of development in the courts specifically pertaining to the prosecution of economic and financial crimes relates to the establishment of a dedicated Economic Court in Latvia, as recently as March 2021⁷. The aim of this specialised and dedicated court is to provide quicker examination of complex commercial disputes, economic and financial crimes, and corruption cases. An interesting observation made in the European Commission Report relating to this court is the planned approach of appointing judges without previous experience (European Commission, 2021^[19]). While mentoring, professional support and offered specialised training on legislation related to money laundering, as well as commercial, competition and financial law, will be given, the lack of judicial experience is likely to negatively affect the speedy process and prosecution of such complicated cases, at least in the short to medium term. That said, according to the European Commission Report (2020) it is hoped that the court will deal with between 250 and 500 cases per year. This will require sufficient resources as regards both staff and training, especially in complex economic and financial cases. Only time will tell if these objectives are achievable.

Box 2.1. Other bodies involved in developing policy and legislation, and oversight in this area

From an oversight and policy perspective, the following ministries and institutions play a significant role in Latvia with respect to economic crime investigation and prosecution. However, it is not an exhaustive list.

The Ministry of the Interior

The Ministry of the Interior (MOI) is the leading public authority in home affairs and develops policies and implements policy against crime. It has responsibility for drafting sectoral legislation and policy-planning documents. It also has a function regarding oversight, with responsibility and authority to

conduct performance inspections and other inspections in public bodies subordinated to the Ministry, through, for example, the State Audit Office.

State Audit Office

The State Audit Office in Latvia is “an independent, collegial supreme audit institution and one of the state authorities specified in the Satversme (Constitution) of the Republic of Latvia... The activities of the State Audit Office aim at establishing whether public resources are being spent legally, correctly, efficiently, and in compliance with the public interest. The State Audit Office provides recommendations for the elimination of the identified deficiencies” (State Audit Office of Latvia, 2020^[9]). Institutions, which are subject to an audit, must take on board the recommendations of the report and must make concerted efforts to address them, report, and evaluate progress⁸.

The Ministry of Justice

The Ministry of Justice is the leading public authority in justice in Latvia, with responsibilities regarding the provision of the country’s legal framework, judicial system, and court administration. It also makes policy in relation to criminal law and criminal procedural law.

The Ministry of Finance

The Ministry of Finance has responsibility for developing policy in relation to anti-money laundering and terrorism financing measures in accordance with the defined area of responsibility. This is done in conjunction with the Ministry of Justice.

Crime Prevention Council

The Crime Prevention Council was established in 2004. Its responsibility was widened in 2020 to include “the function of implementing co-operation between the executive and the judiciary in order to set common goals and co-ordinate co-operation in strengthening the rule of law by respecting the principles of the separation of powers. The Crime Prevention Council is a collegial body that aims to strengthen the rule of law, coordinate, and improve the activities of state institutions to prevent and combat crime, especially corruption and organised crime, which threaten national security and economic stability, and promote a unified and effective cooperation of the executive and judiciary in strengthening the rule of law” (State Audit Office of Latvia, 2020^[9]).

Source: Author.

The Laws Pertaining to Economic Crime Investigation

The suite of legislation pertaining to the investigation and prosecution of economic crimes cases is comprehensive in Latvia. The power and authority of many of these aforementioned institutions and bodies, as they relate to economic crime, is also set out in this legislation. Some key acts in this regard are highlighted below:

National Legislation of Latvia

Criminal Procedure Law 2005

The purpose of the Criminal Procedure Law (CPL) is “to determine such procedures for the criminal proceedings that ensure effective application of the norms of The Criminal Law and fair regulation of criminal legal relations without unjustified intervention in the life of a person” (Saeima, 2005^[10]). This law has been progressively updated since its introduction in 2005, with its last amendment in October 2021.

The law is comprehensive and includes aspects that set out the basic principles of criminal proceedings, identifies the persons involved in such proceedings, and provides the legislative basis for international cooperation. Recent amendments also now allow for the termination of criminal proceedings for money laundering (as was called for in many of the interviews), if the following preconditions are met:

A fair settlement of property relations must be achieved, namely, in the case of criminal proceedings concerning property issues, they must be resolved by the end of the proceedings (e.g. the proceeds of crime must be confiscated pursuant to the regulation of Chapter 59 of the Criminal Procedure Law); secondly, the person's guilt in committing a criminal offence has not been proven within the frames of the pre-trial proceedings; thirdly, obtaining additional evidence will not ensure cost-effective pre-trial criminal proceedings or will cause disproportionate expenses (Vaisla and Petrov, 2020^[11]).

Operational Activities Law

This law “prescribes the legal basis, principles, tasks, objectives and substance of operational activities, governs their process, forms and types, the official status, rights, duties and responsibilities of officials of bodies performing operational activities, and the financing, supervision and monitoring of such operations,” (Saeima, 1993^[12]). In short, this law governs activities associated with covert and overt investigation activities, in all cases not just those pertaining to economic crimes.

Criminal Law

Section 7 of the Criminal Law provides for the Classification of Criminal Offences in Latvia. They are divided into criminal violations and crimes according to the nature and harm of the threat to the interests of a person or the society. Crimes are categorised as: less serious crimes, serious crimes, and especially serious crimes.

International Directives and Legislation are very relevant regarding the investigation and prosecution of economic crimes. Box 2.2 provides a list, which identifies a few of the most commonly used documents.

Box 2.2. International Directives and Legislation

DIRECTIVE (EU) 2017/1371 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 5 July 2017 on the fight against fraud to the Union's financial interests by means of criminal law

This directive “establishes minimum rules concerning the definition of criminal offences and sanctions with regard to combatting fraud and other illegal activities affecting the Union's financial interests, with a view to strengthening protection against criminal offences which affect those financial interests, in line with the *acquis* of the Union in this field” (European Parliament and Council of the European Union, 2017^[13]). The Directive has been implemented with amendments to the Criminal Law in Latvia, which entered into force on 3 July 2019.

COUNCIL REGULATION (EU) 2017/1939 of 12 October 2017 implementing enhanced cooperation on the establishment of the European Public Prosecutor's Office ('the EPPO')

This establishes the European Public Prosecutor's Office ('the EPPO') and sets out rules concerning its functioning. The Regulation automatically became legally binding throughout the European Union (EU) on the day it entered into force.

Law on the Exchange of Information for the Prevention, Detection, and Investigation of Criminal Offences

The purpose of this Law is to ensure the swift exchange of information between Latvia and other Member States within the framework of co-operation of law enforcement authorities, in order to prevent, detect and investigate criminal offences. This entered into force on the 15 April 2009.

Source: Author.

Conclusion

This chapter provides context as to the current units, organisations and bodies involved in the investigation and prosecution of economic crime investigations in Latvia. It sets out (albeit brief for some) the roles and responsibilities of each, and the services provided and/or activities conducted by these actors within economic crime investigations. It does this in advance of the next chapter to provide context to the assessments made about investigations and prosecutions in Latvia over the last number of years.

The next chapter provides insights on a range of assessment reports and audits that have been conducted since 2017 on institutions, activities, and processes pertinent to the investigation and prosecution of economic crimes

Notes

¹ Interview No. 1.

² Figures were not available for 2017 and 2018.

³ A single years figures do not evidence complete change, but could be an indicator that something is working, nonetheless, it will need to be monitored further over the next few years.

⁴ Interview No. 4.

⁵ State Police College offers formal and non-formal education programs. Formal education program, first level professional higher education program “Police Work”, vocational education program “Police Work”, professional development education program “Fundamentals of Police Work”. Non-formal education programs - non-formal adult education programs for State Police officials.

⁶ Interview No. 21.

⁷ Interview No. 12.

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3 Overview of the Available Literature pertaining to Economic Crime Investigations & Prosecution in Latvia

This chapter provides an overview of the findings of key documents pertaining to economic crime investigations and prosecutions in Latvia, with a specific focus on those which contained recommendations on improvements within this area. These were selected as they represent previous assessments of existing challenges pertaining to criminal investigations in Latvia, which ensures this study builds upon the work already done. It also helps to benchmark the progress made since these reports were published. Thus, it serves as an assessment of the known challenges in this area, which this research will explore further in Chapter 4.

Introduction

Effective investigative and prosecutorial services are crucial in tackling criminality of all guises, with a greater need for experience, competency, and collaboration in more serious crime investigation, such as economic and financial crime. The prioritisation and recognition of the threats posed by economic crime heightened a short number of years ago in Latvia, after the government's designation of Latvia as a regional financial transaction centre in 2019, which resulted in significant transit flows of financial resources into the country, some in the form of deposits from non-residents. This influenced a host of different research reports, for example, those conducted by the OECD Working Group on Bribery in International Business Transactions and the Financial Action Task Force (FATF)-GAFI, and GRECO and Moneyval Report of the Council of Europe, which predominately shared the recommendation that Latvia needed to strengthen performance of their prosecutorial services, in particular in relation to economic and financial crimes. Notwithstanding the steps taken by the Latvian government to control and reduce risks in the financial sector, for example, the withdrawal of licences from several banks, problems were still identified.

In the backdrop of ambitions to become a regional financial hub, Latvia gained increasing attention about its capacity to adequately play such a role. One notable report, which contributed in part as noted by the Finance Ministry in February 2019 to revoking this objective (LSM, 2019^[1]), was an evaluation conducted by Moneyval in 2018. This report, amongst others, is reviewed in this chapter, as they serve as an important resource for assessing the current state of play in Latvia and provide insights into why recent changes have been made. To do this, this chapter introduces the core foundational documents to this study, the State Audit Office Report 2017 and 2020, and the OECD's report on Performance of the Prosecution Services in Latvia: A Comparative Study (2021). A number of additional documents were also used to glean insights into the current state of play pertaining to the police investigation of economic crime and associated risks in Latvia. These include the National Security Strategy of Latvia, the Fifth Round Mutual Evaluation Report by Moneyval (2018), and the OECD's Working Group Report on Bribery in International Business Transactions (2018). The chapter outlines the core aim of each document, the key findings, recommendations, and the problematic areas highlighted pertaining to economic crime investigations and prosecutions.

Foundation Documents

State Audit Office Report 2017

The State Audit Office of Latvia's report of 2017 'Is pre-trial investigation of the State Police of Latvia effective' is a foundation document to this study. It holds this position because of its remit and scope. This report was conducted to verify whether sufficient measures had been taken during the previous ten years to achieve the set goal of simplification and efficiency of pre-trial criminal proceedings. Auditing the previous ten-year period was important, as it marked the timeframe since the introduction of the Criminal Procedure Law. This law came into effect in October 2005 and was adopted to amend the shortcomings of the previous regulatory framework, the 1961 Latvian Criminal Procedure Code (State Audit Office of Latvia, 2017^[2]). Particular shortcomings identified prior to the implementation of the law that warranted attention included disproportionate lengthy proceedings and complaints about violations of human rights because of reasonable failure to comply with time limits of criminal proceedings (State Audit Office of Latvia, 2017^[2]). Both failings were said to be leading to an increasing accumulation of pending cases. Moreover, there was a perceived inability of Latvian law enforcement institutions to operate in accordance with the guidelines of criminal justice of the European Union (EU). Thus, the core aim of the law's introduction was to ensure an efficient process, to make criminal proceedings more efficient, to reduce the accumulation of pending cases, to speed up the examination of cases and to increase the quality of pre-trial investigations.

Despite the Criminal Procedure Law coming into effect in 2005, the Audit report (2017) identified many similar issues at the time of writing to those that the law had been designed to mitigate. It noted that these issues continued to prevent the proper and timely disposal of cases within the pre-trial investigation process. Chief amongst them were, a large accumulation of pending cases in pre-trial investigation institutions and courts, lengthy legal proceedings resulting in complaints regarding violations of human rights. According to the Audit report, despite the introduction of the Criminal Procedure Law, an unsatisfactory number of pre-trial investigations still remained to be dealt with. The report specifically noted that this was evident in the number of decisions revoked by prosecutors, the dynamic of criminal cases returned for further investigation, and the number of prosecutors' submissions on violations committed in pre-trial criminal proceedings. This in turn was found to have led to an increase in the amount of compensation paid by the State for losses caused as a result of unlawful or unjustified action of the investigating body, the Public Prosecutor's Office or the court.

Criticisms were also highlighted regarding the quality of pre-trial investigations in the State Police from prosecutors, attorneys and officials from the State Police and the Ministry of the Interior. Moreover, and despite some noted improvements to the regulatory framework by which the State Police conduct their duties, criminal proceedings were still found to be complicated, laborious, and time-consuming. They further noted that the ability of the State Police to conclude criminal proceedings before they were statute-barred had deteriorated, highlighting a year-on-year increase between 2010-2016. In addition, the report noted that of all the criminal proceedings under the record of the State Police at the end of 2016, nearly half (47%) were reported to have been initiated more than five years previous. Overall, this led to an assessment that the State Police's ability to effectively investigate criminal proceedings had not improved (See Box 3.1).

Box 3.1. Areas of concern identified in State Audit Office Report 2017

'Is pre-trial investigation of the State Police of Latvia effective?' pertinent to economic crime investigation and prosecution.

- The level and nature of training is not commensurate with the duties to be performed, due in part to the liquidation of the Latvian Police Academy.
- The lack of organisation and methodological management of investigative work.
- A reduced scope and content of the supervisory prosecutor's powers in providing instructions, as well as a lack of a common understanding between investigators, their immediate superiors, and prosecutors.
- An inability to effectively apply the speed, economy, and efficiency of criminal proceedings.
- The lack of an established system to assess the effectiveness of the investigation work of the State Police.

Source: State Audit Office Report, 2017.

The audit report concluded that while some of these existing problems could be addressed with the right legislation, it highlighted that these solutions were not included in the new draft law "Amendments to the Criminal Procedure Law". The proposed amendment at that time, related to the simplification of suspensions, yet these did not go far enough to provide for suspension or termination, for example, in situations where progress of criminal proceedings is not possible¹. Similarly, the report noted that there are no solutions to theft in points of sale where the harm caused is small or the stolen product is returned

immediately. Investigating these crimes requires disproportionately large resources to prosecute. The report noted that this approach was not in line with other countries, where some reported that criminal proceedings are not carried out if harm caused as a result of a criminal offence is insignificant or its investigation will require disproportionate costs. Latvia, however, had at that time no legal provision to do this.

The report made 17 recommendations², the implementation of which was designed, if implemented, to improve the ability of the State Police to investigate criminal proceedings more efficiently and qualitatively. First, they recommended that a comprehensive assessment of the problem be conducted regarding the proper investigation of criminal proceedings in the State Police. Second that a system of review and evaluation of police investigation work be designed, implemented, and regularly assessed, by clearly defining the results to be achieved and the assessment indicators thereof.

In the context of investigations, the report highlighted the need to improve the understanding of investigators as to the importance and application procedure of the instruments provided under the CPL, relating to the simplification of criminal proceedings. This, it was envisaged would, ensure faster and a more economic performance. Within this, the Audit Office recommended that the State Police, together with the State Police College and other experts in the field, determine the set of measures and content (training, exchange of experience, etc.) for improving the qualification of investigators. Moreover, it recommended that the State Police significantly strengthen the methodological management of investigations. Furthermore, the Audit Office highlighted that the State Police had not eliminated problems and incompatibilities regarding the execution of forensic examinations in the Forensics Service Department, issues that had been previously highlighted in 2013 by the Office. As a result, the State Audit Office repeated their recommendation that the Ministry of the Interior ensure that disproportional length of time it takes to appoint experts by investigators is avoided. They also suggested the possibility of establishing a unified forensic expert institution in the state. The rationale for this was that it would allow for a central repository for human and technical resources, which was thought would improve performance of forensic examinations in general³.

It is worth highlighting that the 2017 Audit report focused on all pre-trial investigations, with no specific focus on economic crime, but many of the core issues raised are pertinent in that context. Moreover, many of the issues identified in the 2017 State Audit Office report still resonate today, as will be discussed in more detail in the forthcoming chapter.

State Audit report 2020

The second core document is a 2020 report, “Summary of Key Audit Findings and Recommendations - Does the operation of the Prosecutor’s Office of the Republic of Latvia require any improvements?”, also produced by the State Audit Office (State Audit Office of Latvia, 2020^[3]). On this occasion, the Audit Office conducted an assessment of the activities of the Prosecutor’s Office of the Republic of Latvia. The audit stemmed, in part, from the findings of the 2017 audit report, and the opinion that the Prosecutor’s Office might not have sufficient capacity to ensure the proper investigation and prosecution of cases. A secondary element of this audit, pertinent to this study, relates to its focus on the “Effectiveness of investigations and trials of the criminal offences in the economic and financial area” (2).

The report had both positive and negative findings. First, the statistics analysed indicated that Latvia did not lag behind other countries in terms of prosecutorial resources, yet at the same time it was found it had still not been able to solve significant problems related to investigating crimes. Second, while the audit report found that there were no obstacles in the laws and regulations to the effective operation of the Prosecutor’s Office, they noted that a significant change in the understanding of independence of the Prosecutor’s Office and a modern approach to the implementation of management functions was required. It was suggested that this would result in greater capacity within the Prosecutor’s Office to perform its core functions and facilitate the efficient use of the resources at its disposal. Third, the audit assessed that the

regulation of the Prosecutor's Office Law contained the necessary standards for the independence of both the Prosecutor's Office and prosecutors. However, it did note that the concept is interpreted more broadly in Latvia, which limits the possibility of holding the prosecution service accountable for its work and gives the impression that it is not subject to oversight and good governance similar to other public institutions. In addition, it noted that this perception of absolute independence had isolated it from reforms.

Within this context the report highlighted that change was required and that the Prosecutor's Office must take the leading role in influencing law enforcement practices and in management and supervision of the investigators' work, particularly in the event of complicated cases, which may affect the public interest. In short, the Audit Office assessed that the Prosecutor's Office, as an institution, was not managed in the manner to ensure it was capable of performing its functions efficiently and effectively. The audit also noted that the prosecutor's Office did not conduct a risk assessment, even in crucial areas such as integrity, corruption, and conflict of interest in prosecutors' activities.

The Audit culminated in 20 recommendations⁴ to the Prosecutor's Office for improving operational efficiency. One pertinent recommendation here relates to training, and the need to establish a training system for prosecutors, which includes regular training throughout a prosecutor's career. They highlighted that this needs to be informed by a process that can identify training needs and is supported by professional performance evaluations. Moreover, it also noted the need for improvements for "professional skills of prosecutors in drafting indictments by developing the curriculum further and assessing the need for other measures at the same time (for instance, by providing the elaboration of guidelines, summaries of best practices, or document templates)" (State Audit Office of Latvia, 2020^[3]).

More pertinent still are the insights and findings in relation to the prosecution of financial crime. It was noted that, since 2017, improvements had been made in the Prosecutor's Office, particularly regarding the supervision of these types of investigation. Two specialised prosecutor's offices now provide specialised service in relation to the investigation of organised and economic crime offences. It was also highlighted that the prosecutors of the Division of Investigation of Especially Serious Cases, within the Office of General Prosecutor, provide greater supervision with respect to the investigation of the most complicated economic crimes. The audit assessed that, without this specialisation of prosecutors, some prosecutors are likely to face challenges in dealing with complicated cases, specifically noting investigations relating to financial and economic crime.

The State Audit Office noted in this audit concerns with prosecutor workloads, suggesting that this should be looked at further, as it may help to better understand why only a relatively small number of cases under prosecution are brought to court. This resonates with an observation in the 2017 State Audit Office report, which highlighted a large backlog of cases per officer of the criminal police unit of the State Police. Both these observations are likely to have influenced the finding in the 2020 report that half of criminal proceedings had been initiated more than five years previously. See Box 3.2 for specific recommendations to address the backlogs of economic crime cases identified in the State Audit Office Report 2020.

Box 3.2. Specific recommendations to address the backlogs of economic crime cases

The State Audit Office recommended that “the Prosecutor’s Office should (1) evaluate and determine criteria for the assessment of the backlog of supervised criminal proceedings, and (2) carry out evaluations in cooperation with investigative agencies. The Audit Office made an insightful observation as to why this was important, not only to speed up the cases and clear the backlog but also to determine “what part of them are “minor” offences, what part of them are “dark” cases, particularly complicated criminal proceedings, criminal proceedings especially infringing national interests, or cases whose investigation and completion require solving any specific problems characteristic of a particular type of crime (for instance, numerous criminal proceedings initiated for offences of one type that are not finished for a long time), etc. Such an assessment would make prioritisation of criminal proceedings and deciding on the necessary long-term action possible (State Audit Office of Latvia, 2020^[3]).

Source: State Audit Office Report, 2020.

While many of the issues raised in the State Audit Office Report of 2017 pertaining to prosecutors were found to have been addressed in the 2020 Audit Report, it is also evident that some were not and continued to negatively affect the proper prosecution of serious crime cases.

OECD Report - Performance of the Prosecution Services in Latvia: A Comparative Study

During a similar timeframe to the 2020 Audit Report, the Organisation for Economic Cooperation and Development (OECD) prepared an independent assessment (OECD, 2021^[1]). This is a pertinent document here, as it served as a source of recommendations for the 2020 audit report. The study, while reviewing the status quo in Latvia regarding public prosecutions, also benchmarked a selection of OECD member countries (Czech Republic, Denmark, Finland, France, Italy, Ireland, Netherlands, New Zealand, Portugal, and Sweden). This sought to identify recommendations that could support Latvia’s ongoing efforts for improvement. Similar to the Audit Report, it did not focus on economic crime, but it does make one targeted recommendation in this area, which was also made in the State Audit Office Report 2020, relating to “enhance specialisation in financial, economic and corruption crimes” (16). To provide context to this recommendation, the OECD report assessed that they found that “there are no special requirements for prosecutors supervising such investigations (e.g., in terms of skills, experience, knowledge or selection procedure), with the expectation that necessary expertise will be acquired through in-service practising” (16). Furthermore, they reiterated the findings of the 2020 State Audit Office report, noting a lack of capacity for prosecuting complex, financial, corruption, or cyber-crimes. Based on this latter observation, the authors identified that “focused specialisation of certain groups of prosecutors and associated specialised training for them could serve as a necessary capacity building exercise in Latvia to enable prosecution in the most effective manner” (16).

Several areas not specific to economic crime are also worth exemplifying further in the context of this study. The first relates to training, which reinforces the recommendation made in the 2020 State Audit Office Report. Although not specific to economic crime, the OECD report also noted the need to “scale up and tailor training for integrity activities” (19). This recommendation was also combined with one that suggested the need for enhanced specialisation in financial, economic, and anti-corruption, a recommendation which was also echoed in the State Audit Office Report. It is worth highlighting that this approach was also echoed in the Prosecutor General Office’s operational strategy 2017-2021, which identified the need (as a priority) for effective and high-quality performances by the functions of the

Prosecutor's Office in the fight against financial and economic crime. Three specific areas this strategy notes relate to:

- Ensuring control of the work of prosecutors in pre-trial criminal proceedings
- The imposition of proportionate penalties for financial and economic crimes
- Training and knowledge acquisition.

The OECD report also highlighted a number of more general concerns about the effectiveness and performance of the Latvian prosecution service, particularly in relation to the investigation and prosecution of economic and financial crimes that are worth mentioning. They echoed the findings of the State Audit Office Report regarding the difficulties in bringing and holding charges before the courts. They also noted, and similar to the audit report, the length of pre-trial proceedings and asserted that this is having a negative influence within the system. On a more positive note, in relation to outstanding issues with the CPL as highlighted in the 2017 Audit report, the OECD noted that prosecutors of the Methodology Division had participated in the process to develop amendments to the law, especially to promote the proper investigation of financial and economic crimes.⁵

Other issues they highlighted, included “insufficient qualification of the involved parties, relatively negative attitude of prosecutors to providing instructions to investigators, unclear distribution of roles of the officials participating in criminal proceedings, and the heterogeneous understanding of the criminal procedures by investigators and prosecutors” (OECD, 2021^[4]). Unpacking this further, the report indicated investigators and their immediate superiors maintain that some supervising prosecutors are not sufficiently knowledgeable about the specifics of economic and financial crimes, which affect the decisions made about the nature and type of evidence needed for investigation or arraignment. To alleviate this, the OECD report found that many of the stakeholders highlighted the need for more joint training of investigators, prosecutors, and judges as well as the creation of informal venues that facilitate the exchange of information and experience, which would help to build a shared understanding of substantial and procedural issues. This echoed calls in the 2017 State Audit Office Report, which proposed an enhanced co-operation between police and prosecutors, especially in financial crimes, specifically highlighting it in the context of them being very sophisticated and complex.

In relation to the specifics of investigations and time delays, the report also noted that interview results indicated some prosecutors make additional requests of investigators to carry out additional investigative actions late in the process, which often result in unnecessary delay of the pre-trial investigation. Uncoupling this further, it was noted that this may be the result of differences or discrepancies between what prosecutors and investigators view as sufficient evidence. It was alleged that this negatively affects the performance of the criminal justice system (CJS). This may have explained why there is such a ratio between cases brought to court by prosecutors, in comparison to those being investigated in the past.

The OECD noted that the Parliament and the Prosecutor's Office has prioritised combating financial and economic crimes and actively sought to ensure effective and high-quality prosecution in this area. The report echoed the observations of the Audit report regarding the lack of specific specialisation of prosecutors in Latvia, although recognising the establishment of five specialised Prosecutor's Offices established in the Prosecutor's Office.

These three documents serve to illustrate the research, oversight and recommendations made in regard to the investigation and prosecution of crime in Latvia, with specificity in parts to that pertaining to economic crime. These reports, while recognising the threat associated, do not however come from a position of viewing economic crime from the perspective of a national security threat. As a result, a number of additional documents have been reviewed that demonstrate recognition of the severity of the threat posed to Latvia, and also of an awareness that more needs to be done, despite existing efforts.

Additional Reports

National Strategy

The National Security Strategy 2019 revealed the prioritisation of economic crime investigations in Latvia at the official state level, because of the recognition of the threats posed by the exposure to economic crimes for the national economy. This is important, as this document and positioning has already influenced in part a recognition of the need to strengthen the capacity of law enforcement institutions in detecting and investigating economic and financial crimes, and also to include this prioritisation within the national security strategy. The National Security Concept document (information section) of Latvia 2019 was “prepared on the basis of the analysis of threat to the State specifying the basic strategic principles and priorities for the prevention of threat to the State to be taken into account upon development of new policy planning documents, legal acts, and action plans in the field of national security” (Government of Latvia, 2019^[5]). It notes, in the context of the Provision of Stable Economic Environment, that “the responsible State authorities should continue implementation of measures to restrict the negative impact caused by the underground economy on the national economy and State budget revenues” (Government of Latvia, 2019^[5]). In the context of providing a stable economic environment, the Concept noted the need for strengthening the control and tax collection measures in these sectors, it highlighted that “concurrently adequate abilities of the law enforcement authorities (LEAs) and authorities responsible for corruption in discovering and investigation of economic and financial crimes should be ensured, while efficiency of the operations of the judicial system in trying such crimes should be improved. It is necessary to define and lay down the requirements for the continuity of operation of the services that are critical to the functioning of national economy, determining the minimum amount in which such critical services should be ensured in case of threat to the State” (Government of Latvia, 2019^[5]). The Concept also made the “Implementation of Control of External Economic Policy and Foreign Investments” a priority. In making Latvia an attractive location for foreign investments and promotion of export, the concept highlighted the need to “ensure a control mechanism in order to prevent the possibilities of taking control over undertakings or sectors of strategic significance with the intermediation of investments, thus causing threat to national security” (Government of Latvia, 2019^[5]).

A second area worth mentioning within the context of providing a stable economic environment related to the improvement of the Supervision of the Financial Sector. The Concept highlights the need to continue improvement of supervisory mechanisms of the financial sector in order to reduce the proportion of the amount of high-risk investments of non-residents in credit institutions in Latvia. This was influenced in part by its prioritisation in the Moneyval report (discussed below) to ensure further progress in the prevention of money laundering and terrorism and proliferation financing. In the specific context of money laundering investigations, the Concept notes that “it is important to define investigation of money laundering as one of the priorities of the responsible law enforcement authorities, increasing their capacity in the field of investigation and analysis accordingly, as well as developing unified guidelines for investigation of such cases (Government of Latvia, 2019^[5]).

Several other pertinent threats were identified in the Concept that relate to this area, for example, those relating to the recognition of cyber threats. The priority threats identified included:

- Efficient Implementation of the Cybersecurity Policy
- Strengthening of the Ability to Identify and Respond to Threats
- Strengthening of Security of the Critical Infrastructure of Information Technologies
- Risk Assessment of the Infrastructure Equipment and Services Received
- Improvement of Inter-institutional and International Cooperation.

In reviewing this document, it is evident that the Latvian Government recognises the growing threat of economic crime on national security and is prepared at least at the strategic level to prioritise it as an area for increased attention and management.

Fifth Round Mutual Evaluation Report

In 2018, Moneyval published a report in which they highlighted the risks associated with financial crime in Latvia, rating the country's risk to money laundering as “medium high”. It further noted that the main sources of criminal proceeds, which were reportedly generated abroad, include activities relating to corruption, bribery, tax offences, fraud, and smuggling. The report also highlighted risks associated with the influence of international organised crime groups and indicated a significant shadow economy at play, estimating it to be between 20-25% of GDP. This may indicate a relatively stable shadow economy in Latvia, given that Putniņš and Sauka noted that in 2013, the Latvian shadow economy was the equivalent of 23.8% of GDP (Putniņš, Sauka and Sauka, 2014^[6]). The Moneyval report noted that economic crimes were more common than other crime types (for example, drug trafficking) in regard to generating finances. The report also analysed the level of compliance with the Financial Action Task Force (FATF) 40 recommendations and the level of effectiveness of Latvia's Anti-Money Laundering / Countering the Financial of Terrorism (AML/CFT) system. It used this information to inform recommendations on how the system could be strengthened, while acknowledging that steps had been taken to improve its AML/CTF framework. The report assessed that “since 2012 the Law on the Prevention of Money Laundering and Terrorism Financing (AML/CFT Law) has been amended several times to widen the definition of politically exposed persons (PEPs), financial institutions (FIs), and financing terrorism (FT); the regulation was updated regarding the identification of UBOs; and a set of other normative Financial Capital Market Commission (FCMC) regulations were executed to achieve significant compliance with the FATF recommendations. The Latvian authorities also made amendments to the legal framework of Latvia in order to implement the 4th European Union (EU) Directive.” (Moneyval, 2018^[7]). See Box 3.3 for the key areas pertinent to Economic Crime in Fifth Round Mutual Evaluation Report (2018).

Box 3.3. Fifth Round Mutual Evaluation Report (2018) keys areas pertinent to Economic Crime

Three other areas highlighted in the report are worth noting in relation to the specific role of the State Police and their response to economic crime, and they relate to risk, financial crime investigation and international cooperation. In respect of risk, the report findings observed, “Large financial flows passing through Latvia as a regional financial centre pose a significant threat. Certain authorities, such as the Control Service (FIU) and the Financial Capital Market Commission (FCMC), demonstrated a rather broad understanding of the risks within the AML/CFT system. However, there is uneven and overall inadequate appreciation of the potentially ML-related cross-border flows of funds passing through Latvia” (Moneyval, 2018: 1). The report recognised the nation-wide efforts aimed at effective implementation of AML/CFT measures through the 2017-2019 Action Plan but reported that it was inadequate with respect to providing specific targeted measures to address, amongst other things, the Money Laundering (ML) threat emanating from the high concentration of the foreign customer base of the credit institutions and the related large cross-border movements of funds.

Source: Author.

An area not widely observed in other reports relates to the private sector. The Moneyval report noted that there appeared to be little, if any, interest in the sector, using results of the risk assessment to inform their

policies, procedures, and controls. It was acknowledged that this might be due “to the lack of previously unidentified threats, vulnerabilities and residual risks articulated in the 2017 NRA Report, and partly to the disagreement with its analysis and conclusions” (Moneyval, 2018_[6]). Furthermore, it may be because of their limited involvement in the process. The report noted that the NRA appeared to conduct most of the analysis, with other competent authorities in the NRA process providing information, although limited involvement in the analytical process or in drafting the conclusions. In short, this led to the assessment that “the appreciation of ML/FT risk in the financial sector is not commensurate with the factual exposure of financial institutions (FIs) in general, and banks in particular, to the risk of being misused for ML and FT” (Moneyval, 2018_[6]).

The report highlighted international cooperation as a positive area, whilst noting that it constitutes a critical component of the country’s AML/CFT system. It assessed that “Latvia demonstrates many of the characteristics of an effective system in that area. Overall, the Latvian authorities proactively cooperate with foreign counterparts, effectively providing and seeking not only mutual legal assistance (MLA) but also exchanging financial intelligence and engaging in joint investigations and cooperation meetings with positive results,” (Moneyval, 2018_[6]). In relation to financial intelligence the report noted that all competent authorities claimed they had good access to and make use of the available sources of material to support their analytical and investigative activities. However, the quality of Financial Intelligence Unit (FIU) analysis was deemed unsatisfactory by some law enforcement authorities (LEAs).

The report noted that Latvia had a sound legal system and institutional framework for the investigation and prosecution of Money Laundering (ML). It was acknowledged, however, that while it had a sound and broad legal system for confiscation of criminal proceeds, it was noted that non-conviction-based confiscations are more encouraging than those based on conviction⁶. In individual cases, Latvia can demonstrate effective repatriation of large amounts of confiscated proceeds of crime to third states, as well as, in a domestic context, the restitution of victims of economic crime. Another area where confiscation is difficult relates to the confiscation of undeclared or falsely declared cross-border movement of currency and bearer negotiable instruments (BNIs). The former being identified as an area of concern, given that smuggling was identified as one of the main ML risks in Latvia.

OECD Working Group on Bribery in International Business Transactions 2019

The Phase 3 report on Latvia by the OECD Working Group on Bribery is also pertinent here, as it evaluated and made recommendations on Latvia’s implementation and enforcement of the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions and related instruments. Within this report, the working group highlighted the risks of economic and financial crimes in Latvia, highlighting how shell companies are often used to move illegal funds through Latvian banks into the international financial system. The working group made a pertinent observation that “Latvia’s enforcement results should be more commensurate with the country’s exposure to foreign bribery and subsequent money laundering risks” (OECD, 2018_[12]). They reported that “none of the foreign bribery allegations that surfaced to date have reached the prosecutorial stage in Latvia” (OECD, 2018_[12])⁷. The allegations involve both Latvian individuals and companies paying bribes to foreign public officials and cases where Latvian banks and other corporate entities have been used by non-Latvian companies to channel bribe payments and subsequently to launder them.

The assessment also found that while the Latvian authorities are handling a larger number of money laundering cases, the conviction rate is yet to follow this increasing trend. It further noted that there were legislative deficiencies regarding the foreign bribery offence. Like the previous assessment discussed above, this report also reported the lack of resources, especially within the Public Prosecution Office and the State Police, and assessed that more training was required. The report acknowledged that efforts have been made to enhance the FIU’s operational capacity and typologies and that legislation had been

enhanced, alongside improvements in the regulatory framework, to prevent money laundering in the financial sector. In the context of international cooperation, the report noted Latvia's positive role in providing timely mutual legal assistance to foreign countries in foreign bribery cases and in upgrading of the confiscation regime.

While these latter three documents largely come from the perspective of the threat and implications of economic crime in Latvia, they demonstrate consistency in relation to the foundation documents in regard to some of the continued challenges that exist in relation to economic crime investigation, for example around issues such as, lack of expertise, resources, training, an increased number of cases but yet to be seen in increased conviction, and an increasing cross border dimension too many of the cases. These issues will be further discussed in the next chapter.

Conclusion

This chapter summarised the key documents available pertaining to the investigation and prosecution of economic crimes in Latvia, and the threat they pose to national security and the economy. On a positive note, and when viewing the reports chronologically, it is evident to see that some recommendations of previous reports have been implemented. In contrast, however, some core issues continue to be highlighted despite being mentioned in whole or in part consistently in the myriad of reports. It is also worth noting a limitation of these documents is that despite criticism and benchmarking, there is limited, if any, detail provided about the Latvia metrics of what is deemed good or bad in the national context. This is significant in a gap analysis, as it is difficult to determine the parameters between acceptable or unacceptable. The next chapter in presenting the findings from the interviews aims to provide more nuance in this regard, not by providing the metrics of such assessments, but by framing the assessment and ongoing challenges better in the context of economic crime investigation more broadly, to better calibrate the recommendations with context.

Notes

¹ An amendment to allow for termination has been made to the Criminal Procedure Law, coming into effect in January 2021.

² Not all recommendations are discussed herein.

³ At present, some forensic services are provided at the regional level, but others are only available at the central level.

⁴ Not all recommendations are discussed herein.

⁵ These were included in the amendments that came into effect in January 2021.

⁶ Interview No. 17.

⁷ Three foreign bribery investigations were ongoing at the time the report was being written.

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4 Evaluating the status quo in Latvia

This chapter builds on the last two, drawing on the insight gleaned through the interviews to give a more up-to-date picture of the current state of play, specific to the investigation and prosecution of economic crimes in Latvia. It explores areas identified in the reports discussed that still appear to negatively affect the proper investigation and prosecution of such crimes, providing additional context as to why some areas have yet to be addressed. It highlights also other areas as identified by the interviewees that require attention to ensure the proper investigation of such cases.

Introduction

The aim of this study is to provide a gap analysis on existing cooperation and coordination mechanisms in Latvia among the State Police departments involved in economic crime investigation, and also between the State Police and other institutions. Throughout the last chapter, several critical areas have been identified that continue to present challenges for the State Police and the other bodies involved in the investigation and prosecution of economic crimes. To provide more nuance to these issues and to delve deeper into the factors influencing these areas, the researchers conducted 21 interviews with key professionals in the field, to assess and deconstruct why some of these challenges remain, despite recognition of positive advances made. Thus, providing more in-depth analysis of where the gaps remain in cooperation and coordination on investigations and handling of evidence for such crimes as the circulation of illegal goods and illegal circulation of excise goods, and economic crimes that have a negative impact on the business environment in Latvia.

A potential approach that could have been taken with the interviews would have been to design the questions specifically about the areas highlighted within the reports discussed in the last chapter. While important, this would have missed the opportunity to delve further into the underlying, potential interrelated conditions that are influencing the continuation of these issues, despite the well-documented improvements. To explore these areas and to declutter the information from the reports, the interviews took a more probing approach, exploring the perceived reasons behind these well-known problems, with some interesting and pertinent findings. This next section is structured such that it provides insights into these in a manner that reflects the structure of activities and internal regulations and practices that are involved in the proper investigation and prosecution of such cases, presenting the interviewees insights in the context of the life cycle of an economic crime case.

Decluttering the current context through expert insights

The increasing threat of economic crime to national security and to the economy is widely understood in Latvia, especially by those interviewed for this study. Without exception, the interviewees collectively perceived increasing numbers and complexity of economic crime cases, those of a type, nature and scale that have the potential to impact at the national level¹. While this research focused predominantly on crimes of this nature, it is important to highlight that similar to the State Audit Office report 2017, there appears to be very little difference in how the State Police respond to low level economic crime cases (for example, at point of sale) to how they deal with more serious cases. This places a significant burden on them and on state resources, which could be better used elsewhere, most noticeably in the context of this report, on more serious crimes of this nature².

While the process of investigation is similar across different crime types, economic crimes have their own peculiarities, which often make them attractive to criminals, for example, the low risk, high reward nature of such crimes. According to Europol, the complexity of these cases and subsequent investigations makes the likelihood of them being detected and prosecuted low (Europol, 2020_[1]). Europol specifically noted this in relation to those where international cooperation is required, and where the internet is involved (Europol, 2020_[1]). Interpol reiterates this, asserting that financial crime has evolved because of the advancement of digital technology (Interpol, 2021_[2]). This resonates with this study, which focuses on economic crimes of a serious nature, as it shows the importance of understanding the specifics of economic crime investigation that may affect the investigation and prosecution of cases on a more general level. It also reverberates with the findings of Eck and Rossmo, which found that despite significant technological improvements in investigations, the clearance rate for serious crimes has declined significantly for almost the last 60 years (Eck and Rossmo, 2019_[3]). This broader recognition of the complexity in this area is important, as it directly influences the response required³. Bocaniala, et al., for example, note that the complex and sophisticated modes used by criminals of economic crime are such that the police require teams or inter-force units,

consisting of specialists equipped with the latest technology, to respond to crime in this area (Bocaniala et al., 2012^[4]). The need for a mix of specialist services is based on an awareness that those committing economic crime are well versed and experienced, have specialised knowledge (economic, financial, computer, etc.), which often limits the success of the law enforcement responses (Bocaniala et al., 2012^[4]). This observation was also made by the European Commission, which in part influenced the creation and introduction of the Law on the Exchange of Information for the Prevention, Detection, and Investigation of Criminal Offences (European Commission, 2021^[5]).

The Investigation and Prosecution Cycle

Economic crime cases are largely initiated in two ways, through a report of a criminal act, or suspicion thereof, or through intelligence gathered into suspicious activities. With Latvia, the former must be reported by the alleged victim (s) to the police for it to be investigated. If cases are reported at the local station where the skills are not available to properly investigate a case, they can be passed to the regional offices for investigation⁴. The second pathway of cases can emanate from several sources. For example, the police themselves can suspect a crime (or crimes) has occurred and start investigating whether activities are such that they constitute a criminal offence; the Financial Intelligence Unit (FIU) can notify the police of suspicious activities and request an investigation to be initiated⁵; and some institutions have a legal obligation to report suspicious activities (even prior to a crime having occurred). In these different cases, investigations can be initiated by the police. Of the 156 economic crime cases reported to the police in 2020, 135 were investigated.⁶

Crimes that constitute economic crime are laid out in law and via internal documents⁷. The main type of crimes commonly reported and that constitute economic crimes in Latvia are frauds, counterfeit money, money laundering, sale and supply of illegal goods, embezzlement, white collar crime, confiscated goods, crimes regarding oil and gas, corruption, and crime involving excise goods, alcohol, cigarettes⁸. Cases are often complex, labour intensive and can involve other criminal activities. Investigators, therefore, must be professionals and be able to understand and identify a lot of elements. For example, the law, economics, technological advancements, etc. These cases can involve working with and depending on information from a range of different sources, which are not always easily accessible⁹. Because of this, information and evidence can take a long time to gather¹⁰, which often affects the timeframe of the case.

Unlike traditional crimes, which largely aim to identify the offender and prosecute them, economic crime such as those mentioned above have two often complementary elements to their investigation; the first, similar to the above, and the second being to follow and confiscate the money. In the context of the latter, some interviewees noted that these activities often supersede the former for several reasons. Chief amongst these is (i) that where cases involve elements that are outside the jurisdiction and conviction is unlikely¹¹; (ii) because it is often easier to secure a confiscation order rather than a conviction within the time frames available; (iii) because there is strict timeframe in which seizure of assets must take place (within 22-24 months); (iv) and because of improvements in the legislation and capacity to perform such tasks¹². Overall, economic cases are very different from the majority of other cases, in that they are often highly complicated and require a lot of work and additional information, which requires a lot of analysis, hence they produce a high workload¹³. Moreover, they require more interaction between the police and the prosecutor¹⁴. Opposing actions are often taken by the accused, who rarely cooperate, which creates another burden on the case¹⁵.

The problem of highly complex, labour intensive investigations in relation to economic crime cases is not unique to Latvia. While it presents challenges for those investigating and prosecuting cases, it should not be viewed as a problem that can be fixed easily, rather these characteristics accepted as specificities of such crimes, and prepare for such by building capacity and resources. Another factor identified within the interviews that makes these cases slightly different from traditional crime, similar to that noted by Interpol,

is the increasing cyber dimension and extra-territorial nature of such crimes (Interpol, 2021^[2])¹⁶. These factors are also further influencing the complexity of the economic cases, especially those whose scale and scope (collectively or individually) are likely to affect national security or the economy.

Once a case is initiated, a lead investigator is appointed. The chief of the unit is responsible for the allocation of cases to the investigators, based on the case specifics¹⁷. The investigators, at least in complicated cases, inform the relevant prosecutor's office of the case, and seek instructions on how to proceed, or sets out how they are planning to proceed and seek advice¹⁸. Mostly, the interviewees (both prosecutors and police) reported positively regarding this phase. Some noted that this process happens less in basic or uncomplicated cases, but for the serious ones, few reported this process was not happening. The lack of interaction in simple or uncomplicated cases is reportedly because there is often very little to discuss with the prosecutors¹⁹, given that most investigators have the knowledge to deal with such cases. The police investigators only show these cases to the prosecutors when finished. One interviewee suggested that because of the ease with which these less complicated cases can be managed, there would be merit to having a simplified process for dealing with them²⁰.

In contrast, where cases are deemed complicated, interaction with the prosecutor is accessed early (for the most part)²¹. In these latter cases, reports emerging through the interviews indicate that engagements on such cases are positive and improving²². This reflects the findings of the Audit Report 2020, which identified improvements in the prosecutor supervision of serious economic crime cases. One specific positive change that is contributing to better interaction between the prosecutors and the police relates was attributed to the change of Prosecutor General. One interviewee noted that the change at this high level has influenced positively at the operational level, but also the strategic level²³. It was reported in the interviews that when the Prosecutor General is reviewing cases now; the police sit in and can access and give feedback on the case. The meetings are deemed important because all parties also get a sense not only of their own cases but also of the emerging trends in other cases, which helps them stay informed²⁴. These improvements are reportedly having a positive impact on the number of cases reaching conviction²⁵ and regarding the speed cases are proceeding to prosecution, especially pertaining to the seizure of assets²⁶.

Interaction with prosecution

This early intervention between law enforcement, despite their different roles, was deemed to be very important for the success of the case²⁷. Cooperation guidelines are set out in internal documents written in 2015²⁸, such as Guidelines for Simplifying Criminal Investigations. If the cooperation and engagement is not working, there is room for escalating it up the chain of command by both parties²⁹. In positive cases, prosecutors were described as being very good, very knowledgeable and helpful, aim driven and understand what the police need³⁰. In these cases, interviewees noted prosecutors help set out the plan for the investigation, oversee the steps taken, through good, timely and professional management³¹. They help determine where and when and how to get and gather evidence, so none is lost or missed³². It was also noted that even where an investigation has yet to start, good prosecutors are always willing to provide support and guidance³³. In other cases, where reports of interaction and cooperation were described as very good or even excellent, both parties reportedly work as a team, work very closely together, know each other well and understand each other's requirement³⁴. Some described relationships as having the trust and faith in each other to take risks in cases, to test the law, and to learn from the outcome³⁵. Other examples of good engagement and engagement were where some prosecutors come up with innovative ideas about where to take the case³⁶. It was also highlighted that whether it is other police officers or prosecutors; it is good to get to know the people involved in the case personally, as it helps when making requests³⁷.

Some prosecutors highlighted that trust is key to these relationships³⁸, but acknowledged it was not always at the level required, especially between new members on both sides. Others admitted, however, that the

level and nature of interaction often depend on the specifics of the case and those involved³⁹. Some prosecutors were previously police officers⁴⁰, and in such cases, cooperation appears good, because of a perception that they understood the role of the police officers. In cases where cooperation was deemed not at the level required, excluding those because of the perceived simplicity of the cases, several plausible explanations were given; (i) too large a workload on behalf of the prosecutors and the police⁴¹; (ii) insufficient experience and knowledge regarding complex economic crime investigations and technological advancement⁴²; and (iii) conflicting personalities.

The issue of heavy workloads of prosecutors, highlighted in the 2020 State Audit Office report, was reiterated by some interviewees, noting that this often influences the time that prosecutors can give to cases. Some noted, however, that while the workload in the office per prosecutor is not very high in terms of numbers, the cases are usually very complicated⁴³. A similar issue was made regarding workloads for police officers. One police officer interviewed, for example, reported their involvement in a case in which there were approximately 700 victims, which resulted in a large volume of materials and related workload⁴⁴. This issue was also noted in the European Union (EU) Commission Report (2021) which stated that the workload can differ between offices, which was also recognised across the interviews with prosecutors. Within this context, it was acknowledged that if prosecutors got involved earlier in cases and had more hands on, supportive function, the outcome may improve. They noted that, however, this was not feasible at present, given the small number of prosecutors in comparison with the number of cases⁴⁵. This was echoed by the police, who asserted that there are too many cases to get individual support on all⁴⁶. To ease this, the police prioritise cases with several red flag indicators, such as complaints made against investigators, arrest of a person or search of a house (active phase–intervention) and seizure order for funds (mandatory to have an injured party in court), in order to determine what cases needs support⁴⁷.

Given the complexity of such cases, a number of the aforementioned documents discussed the need for specialisation, especially in economic crime cases (State Audit Office of Latvia, 2020^[6]; OECD, 2021^[7]). At present, however, specialisation is not the norm in many of the prosecutors' offices, which can negatively affect the level of experience and knowledge the prosecutors bring to the case⁴⁸. Some interviewees asserted that where prosecutors are not fully informed or equipped, they are not beyond asking the police for advice to gain or clarify their understanding⁴⁹. While this was deemed positive where the police investigator was experienced, some noted it as a negative if the police officers were also in-experienced. A similar situation was also reported in the context of the police, who also asserted that there was limited specialisation outside of the Economic Crime Enforcement Department (ECED). Furthermore, it was noted that police investigators are increasingly been appointed without experience, probably most noticeably in the regional departments⁵⁰.

In the context of the police, it was asserted by many that this may be because of the lack of operational training available to police officers since the Academy closed, which had formerly provided specialist training to investigators. Since 2006, the State Police College implemented the first level professional higher education program 'Police Work'. This includes specialised training in investigative work, order police work and criminal police work. These courses will be implemented up to and including the 2022/2023 academic year. In 2021, the State Police College launched a new first-level professional higher education program. Although, the content of this does not include specializations, the program aims to provide students with the necessary knowledge, skills and competencies to perform professional duties, including effective and efficient work, to carry out high-quality crime prevention, police response and criminal investigation through the fight against crime and the protection of the rights and legitimate interests of individuals.⁵¹ Despite these courses, however, there is still no formal training specialized programme, for investigators taking up such a position as economic crime investigators, for example. That said, after graduating from the State Police College, a police officer may continue his or her education at Riga Stradina University, which implements the Professional Bachelor's study program "Police Work", which contains specialization study courses, one of which relates to the investigation of criminal offenses in economics.

Many of those who had the training from the Police Academy were described, by prosecutors, as very good, professional, highly skilled, and experienced investigators, which in turn, they noted, directly contributed to successful investigations⁵². This is not always the case, however, with newer investigators. One prosecutor noted that some new investigators, although often highly educated, can come with a bit of a chip on their shoulder and feel they know everything, which can cause tensions between them and prosecutors⁵³. Despite this knowledge, however, they often lack experience in applying the law and practical investigative skills necessary to conduct effective investigations, which can cause an unhealthy competition between both bodies⁵⁴. Despite this critical feedback on the interaction between the prosecutors and the police, the overarching comments were positive, with the recognition that improvements have been made in this area over the last year or two, which was influencing greater success with cases. Notwithstanding these improvements, however, the interviewees noted areas that require further attention. The first to be discussed builds on the recognised negative impact of the police academy closure under the umbrella of training.

Training

A consistent theme garnering criticism throughout the myriad of the reports reviewed and highlighted in the interviews, related to a lack of awareness, understanding, and appropriate education amongst police and prosecutors. Similar to previous debates in this area, interviewees noted that some police and prosecutors lack the knowledge to recognise or identify cases of economic crime, and as importantly to recognise the complicated nature of such cases, which is leading to non-convictions. It was noted in the interviews that investigative and prosecuting these complex cases requires a combination of ongoing training and experience⁵⁵. However, currently, the standard often differs between experienced officers and those new to such investigations. As mentioned above, many attribute this to the closure of the Police Academy and the suspension of specialist operational training⁵⁶. For those police investigators who had attended the Police Academy, they highlighted that for the investigation of serious and complex crimes, such as economic crime, the courses that the Academy delivered were better than anything that is now available from the Police College⁵⁷.

The college currently offers some training in this area, albeit not deemed to be of the same standard as that offered in the Academy⁵⁸. That said, it is hard to compare the current provision of training by the Police College and the Academy given the closure of the latter occurred in 2010, and the sophistication of training needs has transformed over this period. The College currently provides online and in person training in combating Money Laundering, Asset Recovery, International Economy, and Economic Crimes⁵⁹. The Police College reportedly trained 402 officers in the area of money laundering and 389 in relation to asset recovery in the last three years. Despite this, the absence of training at the standard previously provided by the Academy is viewed as an impediment to officers getting the material to equip them to be effective investigators⁶⁰. On a more positive note, and in discussions with the Police College, plans were shared about the proposed creation of a new training centre—Capacity Building Training Centre for Investigators. The concept for the centre has been approved, which is an important recognition of the need for a dedicated training function for serious crime investigators. A lot of work has been completed in advance of this role out, which is envisaged to start providing such training around September 2022, with the aim of providing specialist training for investigators and operatives, forensics personnel, analysts, and technicians. The centre will also provide in-service training for officials investigating, prosecuting or providing analytical and criminal intelligence in criminal investigations to ensure the development and implementation of high-quality continuing education programs with the necessary teaching and methodological tools. Given the challenges identified in this area, these plans appear well overdue, and should be prioritised to better support the needs of investigators and those in specialist roles.

In the absence of appropriate training at this time, new members reportedly learn on the job⁶¹, building on the basic training they received on entry. In this context, it was acknowledged that these individuals have

to create opportunities for learning themselves to access the skills and knowledge needed, but also noted that not everyone can or is motivated to do this⁶². It was also highlighted that because of the fast pace of evolution of economic crime cases, this can mean a lot of self-learning, even for the most experienced⁶³. This may be the reason a high number of investigators seek to acquire academic 3rd level qualifications in their own time. This is similar to an assessment made in the OECD's report (2020) that states that there was an expectation that prosecutors would learn on the job⁶⁴. Prosecutors reiterated this lack of training on behalf of the police, stating that the academy, or at least a body to train at that level, is required to ensure the police investigators have the skill set to investigate complicated cases, as it is not available anywhere else⁶⁵. Without the skills, the impact on cases can be significant. The complexity and specificities of such crimes require specialist, professional responses, which can only be built up through education, training, experience, and mentorship. Mentorship will better ensure that education and skills are being applied appropriately and if not, then mentorship will enable tailored adjustments where needed. Mentorship also ensure that officers are learning "on the job" in an effective manner.

It is worth highlighting the topic of training in the interviews garnered contrasting discussions. When interviewees were asked directly about their experience with training, the responses were much more positive than noted above. Interviewees reported a lot of positive examples of learning opportunities for the police, prosecutors, and interagency⁶⁶. These opportunities were highly regarded, valued, and participated in widely, with many acknowledging significant improvements in this area over the last few years in frequency, reach, and quality⁶⁷. The State Audit Report 2017, for example, the Police College have sought to work closer with the State Police and Prosecutors to garner their input into their programme and content, developing an action plan with the State Police to update methodologies and accreditation⁶⁸. Many reported positive examples of joint training opportunities that facilitate and encourage the exchange of practices (nationally and internationally), through online training or in-person training given by other experts within the force⁶⁹ and from the prosecutors, for example.

Other units, such as the criminal investigations unit, were also noted for giving useful training⁷⁰. Training opportunities were also highlighted that involve international bodies, such as CEPOL, the Federal Bureau of Investigation (FBI), and EUROPOL. These, too, were all highly regarded and valued⁷¹. It was noted, however, that sometimes the teachings from international partners were not easily implemented because of differing context⁷². Nonetheless, they were deemed useful in seeing how others deal with certain issues or to raise awareness about emerging trends. In these areas, the overarching opinion from the interviewees was that their training, or probably more appropriately described 'professional development', was good but could always be better⁷³.

In exploring these differing opinions, a deeper underlying insight emerged that despite this positive opinion about the training offered, it is not sufficient for inexperienced police officers or prosecutors who often lack the very basic operational knowledge, thus resulting in a knowledge gap. As a result, where high quality investigators exist, they are often highly prized, and units do not want to part with them. In the conversations about education and training, another issue also emerged relating to attracting and retaining suitable personnel. Regarding the police specifically, it was acknowledged that attracting new staff can be difficult, given that the benefits of working in this area are often hard to see in the short term, the work is complex, time consuming and stressful, responsibility is very big, and deadlines are tight. Furthermore, the pay is deemed low (especially in comparison with the lifestyle costs in Riga)⁷⁴. As a result, this type of work is not popular⁷⁵. It is hard to stimulate interest in such investigations and to attract new talent or retain talent⁷⁶. It was reported that 18 places were empty in the ECED⁷⁷. Others highlighted working conditions were not always great⁷⁸, with limited investment in structural assets. This echoes discussions before this study, in which the lack of infrastructure capacity was acknowledged as potentially having a negative impact on the improvements in this area. Specific topics highlighted in that discussion included not enough office space and outdated infrastructure, which was reportedly leading to less secure and less effective investigative work. It was also highlighted that over the last number of years the State Police has gone through significant changes, resulting in many officers feeling they are in a constant phase of transition,

which is not conducive to good practices being established and embedded⁷⁹. Moreover, given the current demands on capacity, the State Police have few if any additional or extra staff to direct or transfer to support such change, which prevents or hinders proper implementation. See Box 4.1 for a summary of the findings in relation to education and training, from the very positive to the negative.

Box 4.1. Summary of findings in relation to education and training, from the very positive to the negative

When these opinions were analysed more closely, however, a number of consistent themes emerged; (i) entry level training for police and prosecutors does not equip new members with the skills that are required for the investigation and prosecution of complex economic crime cases; (ii) there is a lack of formal specialist operational training for police officers to access, develop and mature their knowledge and skills in this area, since the closure of the Police Academy; (iii) professional development training is available internally, externally and interagency, which is very highly thought of, accessible and of good quality; (iv) many officers undertake academic qualifications for self-improvement and knowledge gathering. Thus, the key area where a gap remains relates to specialist operational role and problem-oriented training, which is believed to affect the quality of the investigations and subsequent prosecution of economic cases.

Source: Author.

Case Delay

Another area which negatively affects the quality and effectiveness of investigations of economic crime cases relate to delays. Delay in cases coming before the courts is widely acknowledged within the reports reviewed and the interviews, with many interviewees reporting that a lot of cases in their books are over 2 years old. While this represents an improvement in claims that a high proportion of cases are over 5 years old, as noted in the State Audit Office Report 2020, some think there is still room for improvement⁸⁰. The time it takes for cases to move from initial report to prosecution, however, is often case specific. One interviewee noted uncomplicated cases are commonly dealt with within a year⁸¹, whilst noting that a typical embezzlement case, for example, takes 2.5 years, on average⁸². Others noted, however, that some of their cases were 5-7 years old, albeit reported that the number of such cases had reduced⁸³. Interviews explained that cases often remained open for years, because there was no legal capacity to close or terminate them if they could not be finalised⁸⁴. This raised a conversation about the applicability of the law regarding the investigation and prosecution of economic crime cases. Despite an overwhelming recognition that the laws in place were sufficient⁸⁵, some highlighted that greater legislation was needed to ensure cases could be formally closed⁸⁶. One interview noted that not only is this affecting the figures negatively, but alleged that where certain units cannot solve cases, they send them to other units for investigation saying it falls within their remit hence passing it on, but it is thought that this is done to move cases on that cannot be solved⁸⁷.

Probing why such cases often face delay and building on issues raised in the reports discussed earlier, it emerged the underlying reasons are often over-simplified or dealt with at too high a level to fully understand the specific issues at play influencing these delays. To declutter this area, interviewees were asked to provide insights into how and why certain delays appear to continue to occur despite noticeable improvements. One issue highlighted related to the complex nature of economic cases. They require a lot of material and evidence, gathering this takes time. This, it was noted, was a practical implication of the

complexity, and while it presents a challenge, was not an issue that could be alleviated easily, at least by the police or prosecutors. For example, once a request is made for mutual assistance, little can be done to influence the timeframe in which the responses are given⁸⁸, especially if made to a country outside the EU. Two key areas highlighted in the interviews will be discussed in more detail, the role of support services and international cooperation, as these were noted as severely affecting the level of delay in many, and often the most complicated, cases.

Support Services

Because of the nature and complexity of economic crime cases, and the amount of data and evidence required, and while technology has increasingly been used in investigations, it is still a very manual process, requiring time and resources⁸⁹. The range of activities often conducted during initial investigation phases include, but are not limited to, working with the victim(s), the prosecutor, identifying and gathering evidence, sending requests for certain evidence or support service, corresponding with lawyers, analysing the evidence as it comes in, coordinating the case, interrogating the subject(s), preparing the case in collaboration with the prosecutors, and making a joint decision on a prosecution⁹⁰. Internal regulations and processes are designed and available to coordinate these activities, but cases often contain peculiarities that require a different approach, so they are guidelines rather than mandatory⁹¹. Moreover, because of the materials often required, the State Police (like other police bodies) commonly require the support and services from a range of other units and institutions.

Expert services are imperative for the investigation of economic crimes (Europol, 2021). It was noted, however, that accessing such services can take a lot of time depending on the service⁹². Interviewees reported good access to the services they require but did acknowledge the timeframe for receiving reports back can be lengthy, often contributing to a delay in case preparation⁹³. The example of forensic accounting was given in this regard, with some explaining that assessments can take up to 6 months or longer to be completed⁹⁴. An interviewee reported one case requiring services for the latter took a year to get looked at, and then the report was produced within a month. When asked to speculate as to why these delays were so prominent, interviewees acknowledged that many of the specialist services were also experiencing heavy workloads because of a limited number of experts and the scale of demands on the services⁹⁵, especially given the current context in which a lot of change is taking place, requiring more of officers and investigators.⁹⁶

The interviewees were careful to acknowledge that despite the delays, the quality of reports received are very good⁹⁷, but one interviewee did question if all those working in this area were properly certified⁹⁸. It was clarified that there is a certification process for court experts which is adhered to, but there had been some concerns with certification for crime scene investigators. However, this is being overcome, and any experts can be challenged in court.⁹⁹ Moreover, all educational programmes provided by the Police College are certified and accredited¹⁰⁰. They, nonetheless, conceded that delays in accessing service often negatively affects cases¹⁰¹. The responses conform with Anderson, et al. research, which found that the long turnaround times were a problem (Anderson et al., 2018^[8]). They further noted that the full potential of forensic science in criminal investigations remains unrealised, explaining that such evidence was largely used for case building as opposed to than using it as a means of identifying the offender (Anderson et al., 2018^[8]).

Another organisation both prosecutors and the police depend on significantly in relation to the investigation and prosecution of economic crime cases is the FIU. Financial institutions (FIs) are legally obliged to report suspicious transactions to the FIU¹⁰². Mechanisms to exchange this information have improved, with greater trust and increased reporting¹⁰³. Based on this information, and other available material, the FIU prepares intelligence reports, which are circulated to the police and are then used by them to initiate investigations. This information is also used in relation to the seizure of funds. The unit deals with over 800

requests made per annum and is the leading partner in dealing with financial institutions¹⁰⁴. Moreover, the FIU has been enhanced recently in response to issues raised in the Money Val and FAFT reports. The unit has been increased from 30 staff members in 2016 to 66 in 2021¹⁰⁵. The Money Laundering (ML) directive of 2018 has been ratified and there are also future plans for developing an Anti-Money Laundering (AML) Innovation centre, which is under discussion at the moment. The FIU was also responsible for conducting the National Risk Assessment for 2017-2019.¹⁰⁶ A lot of stakeholders were involved, as were the police. The unit also conducts and develops thematic reports, and provides early intelligence reports on money laundering, trends, and profiles, also in relation to asset recovery. The interviews noted that cooperation between the FIU and other authorities appears to be improving, however, others claimed that this still needs to be more clearly established at the operational and policy level¹⁰⁷. Positive developments were also reported in relation to public-private partnerships, both at the strategic and operational level¹⁰⁸.

International Cooperation

A second area which was identified both in the reports and the interviews that can significantly affect a delay in cases moving from investigation to prosecution related to international cooperation, an increasing element of economic crime cases in Latvia¹⁰⁹. See Box 4.2 for a positive example of International Cooperation the ECED were involved in. This reflects a global trend in economic crime cases, as highlighted by Europol (2021), with both interviewees and Europol acknowledging that cases that do not involve an international dimension are easier to solve¹¹⁰.

Box 4.2. Positive example of International Cooperation

In 2020, the Economic Crime Enforcement Department (ECED) and International Cooperation Department (ICD) were involved in an international law enforcement operation involving 16 countries, which resulted in the arrest of 20 people suspected of belonging to the QAAZZ criminal network. It was suspected that this group had tried to launder tens of millions of euros around the world since 2016 (News Today, 2021). In coordinated activities, at least 40 locations were searched, in Bulgaria, the United Kingdom, Spain, Italy, and Latvia. The operation in Latvia was led by the Latvian State Police, more specifically the ECED, and accounted for the most searches in one country (22).

Six people were detained in Latvia and forged identity documents, discs, and other evidence was seized. On foot of these activities, criminal proceedings were initiated in the United States, Portugal, the United Kingdom and Spain. Not only does this case illustrate the growing and complex need for cross border cooperation, but it also involved the use of “shuffling” services, which are designed to disguise the original origin of the funds. Riga Legal Attaché John Bivona of the FBI was reported in the news as stating, “Working together is the only way we’re going to stay ahead of these complex threats. I commend the work of our Latvian partners receiving today’s award and thank them for their diligence and persistence in helping us dismantle an organized criminal group that laundered millions of dollars for cybercriminals.” “This is an exceptional example of the daily cooperation we have with our Latvian counterparts” (News Today, 2021; np). While the Deputy Chief of the Economic Crimes Enforcement Department of the State Police of Latvia, Dmitrijs Homenko proclaimed that: “This was a unique case that showed that by coming together and setting up a joint investigation and strategic planning team, it was possible to work successfully and detect a crime. Even more, it was done while abroad. It was the first time of this kind of operation that involved so many searches and arrests in several countries at the same time. The main thing was to act at the same time, because the members of this organized criminal

group communicated with each other, and we could not allow the information to leak between them, so they didn't delete all the electronic evidence" (News Today, 2021; np).

Source: Author.

Similar to other areas discussed above, there were two very contrasting views about international cooperation on economic crime cases. First, similar too many of the reports, the initial observations were positive. Interviewees reported good cooperation on active files between the police and prosecutors and other bodies, both home and abroad. Successful cases confirm this, with a recent case involving the FBI and other police forces, in which the State Police of Latvia played a key active role (highlighted above) a case in point. These positive cases and examples, however, provide a veil to more deep rooted issues with cooperation, especially as they relate to length of time and case delay.

Like the dependency on support services, economic crime cases are often dependent on international cooperation, especially in Latvia - 1241 cases in Latvia requiring international cooperation were reported in 2020, 80% of which had an economic crime dimension¹¹¹. The International Cooperation Department (ICD) reported that they receive approximately 500 foreign mutual legal assistance (MLAs) for execution and validation, and 1000 are sent out by the state police to foreign countries. Despite an ever-increasing workload and requests for increased staff, it was noted by an interviewee there has been no increase in staff in the ICD since 2010.¹¹² Interviewees further noted that such cooperation can be time consuming, depending on what countries are involved, which was also confirmed by the ICD. Cooperation with international partners is coordinated through the ICD¹¹³. While many of the applications are the same, the ICD helps determine if an approach needs to be tweaked according to the law or context and reviews all the documents prior to making the formal request¹¹⁴. Sending the requests is rarely the problem, it is getting a reply that is often hard¹¹⁵. Some reply quickly, some never reply, and others take lengthy periods to respond¹¹⁶. For example, one interviewee noted a request made of a 3rd party country in 2007 and explained that eight years later a response was received¹¹⁷.

It was noted that it is important to differentiate between request to/from the EU and other countries¹¹⁸. Many of the former problems encountered with EU nations have been overcome with the introduction of the Directive. As a result, specific requests involving the EU regularly relate to European arrest warrants and requests for mutual assistance. These are usually responded to quickly, because of the proscribed processes, but not always¹¹⁹. On average, requests to/from EU countries could be 3 months, while the average execution time can take between six and twelve months for 3rd party countries.¹²⁰ In cases where requests are made of third-party countries, some don't answer, or are reluctant to provide the information requested¹²¹ and they can be technically difficult.¹²² Furthermore, if the information is given, it is often given in the form of intelligence, which cannot be used as evidence¹²³. If this information is needed as evidence, a special request can be made, but approval is not always given¹²⁴. Others highlighted the burden of translating all documents from the language received to Latvian, which is required by the courts¹²⁵. It was also noted that the level of cooperation can depend on the specifics of the case. For example, sometimes there is good cooperation with certain countries in some type of cases, but for others, money laundering for example, there is not¹²⁶. One interviewee speculated that cooperation is often limited, where there is no incentive to do so¹²⁷. In short, these issues often lead to considerable delay with little or no alternative on the part of the State Police but to wait¹²⁸. More recently, however, the situation is slightly improving with Eurojust and Europol assisting with 3rd countries¹²⁹. Moreover, from a quality perspective, requests are getting better, and are for the most part, good, which is likely reflecting a changed methodology to training in the police college¹³⁰.

There is little dispute that delays, despite where they emanate from, have a significant impact on cases. In addition to a case possibly becoming statute barred, delays can have other negative effects. It is worth noting, however, that some interviewees explained that a delay alone may not be sufficient to render a

case less likely to secure a conviction, rather this was because of the specific reason for the delay. Even where investigations move quickly and cases go before the court, there can still be delays. For example, lawyers for the accused often do not turn up to delay the proceedings or make demands for additional information just to prolong the case¹³¹.

A number of interesting observations, therefore, emerged in respect to the timeframes in which cases are brought before the court, (i) the majority of complex cases are over 2 years old (an improvement on five); (ii) less complicated cases can and are usually dealt with in a year; (iii) improvements are desired and progress has been made to reduce the timeframe; (iv) a lot of elements of complex investigations are beyond the control of the investigators. Collectively, these observations provide a deeper and more nuanced insight into delays, raising an important question: what is a sufficient timeframe for complicated cases of economic crime to be dealt with? While one may hope to bring all cases before the court within a year, is this actually feasible in more complicated cases? These cases have a lot of elements that need to be addressed within an investigation, many outside the immediate control of the investigators, which cannot be rushed or influenced. In this context, two years may in fact be quite good. To assess this, however, a more detailed case specific analysis would be required, which is beyond the scope of this study, an analysis that would aim to assess what an average acceptable timeframe might look like. Without this, criticism about delays is somewhat arbitrary. That said, this study does highlight important and specific areas that contribute to delays that warrant attention, which will be discussed further in the next chapter, but acknowledges that some are unlikely to be solved by Latvia alone given the nature of economic crime more broadly. Thus, requiring Latvian authorities to continue to work closely with agencies such as Europol to collectively learn about new and innovative responses.

Measuring success

Discussion about what is or is not an acceptable timeframe for cases to be processed is not without merit, despite the myriad of moving parts that are likely to affect it. It especially gains value when discussed in conjunction with another criticism made in the investigation and prosecution of economic crime cases, relating to how the police and/or prosecutors measure success. During the interviews, this issue also emerged, not only the absence of such measurements but also the lack of same on the ability to measure whether specific recommendations made in previous reports had a positive impact. It was acknowledged that the Audit Office conduct a review to see if the recommendations made have been implemented, but many of these take time, and there appears to be an absence of longitudinal studies to see if the recommendations implemented are actually having an impact. While the majority of the recommendations have been implemented, it was noted that some may not have been implemented as effectively as envisaged. A number of reasons why this may be the case were offered; lack of political will, lack of resources of police to prioritise them, limited inter-institutional buy in.¹³²

While many noted that true success is when a file sent to the Prosecutor's Office is sent onward to court and a prosecution achieved¹³³, others noted that waiting for that as the sole indicator of success is too long, as it does not allow for specific teachings that are important during the life cycle of a case¹³⁴. The police and prosecutors acknowledge the value and importance of monitoring how cases are handled, how evidence is gathered, during the life cycle of the investigation. Moreover, others highlighted that while such statistics were considered a lot¹³⁵, such as cases going to trial, numbers of seizures, this does not really reflect the complexity of the investigations and work involved. Several prosecutors noted that measuring success comes with some complicated questions, and recognised the need, like the police, to look beyond numbers and ask questions about the quality of investigations, the management around cases, plans and strategies, cooperation, etc.¹³⁶. A number of these areas were also mentioned in the EU Commission Report (2021). This report stated that the State Audit Office in its performance review on the effectiveness of investigations and trials of the criminal offences in the economic and financial area in the Prosecutor's Office noted that "while there is no shortage of resources in the Prosecutor's Office, there is room for

improvement in terms of management, governance structure, division of responsibilities between different offices specialisation of prosecutors” (8).

Finishing a successful investigation and securing a conviction is good, but that is only one part of the process¹³⁷. This is reflective of the literature in this area, which notes that focusing on clearance or conviction rates can lead to quantity over quality, and or a focus on case specifics rather than looking at patterns and trends (Eck and Rossmo, 2019^[3]). When asked to explain how the police and prosecutors measure success, interviewees reported regular meetings are held, weekly, monthly, and yearly to oversee work conducted, where investigators and prosecutors give an update on their cases¹³⁸. Few went further than this in explaining how individual units use this information in conjunction with metrics to analyse success and impact.

Cybercrime

As noted by Interpol (2021), interviewees reported a sharp increase in economic crime cases having a cyber-dimension, as did other units interviewed¹³⁹. Others noted that the role of cyber in economic crime cases was increasingly becoming a problem and traditional experience and knowledge is not always sufficient to deal with these evolving areas¹⁴⁰. For example, the Darknet. The extra-territorial dimension makes it more complicated, which takes a significant amount of skill to investigate¹⁴¹. While many of the police units said they have a dedicated individual in their teams, or at least the position for a dedicated officer, for cases that require access to such specialists, some noted a lack of complex understanding in the remainder of the team. They also noted that if more complex requirements are present in the case, they often have to seek support from Riga or Europol¹⁴². It was recognised that it can be hard to get IT specialists’ proficient to work in these areas, but noted that it was imperative in order to keep pace, if not ahead, with the criminals¹⁴³. At present, both police and prosecutors are educating themselves¹⁴⁴, with some reporting that the prosecutors often depend on the police in this area because their knowledge is often better¹⁴⁵. Others noted the use of private sector experts, where in-house experts were not available¹⁴⁶.

This growing presence of cyber in economic crimes, coupled with the increased need for technological advancement, resulted in discussions about the presence and level of technological support within the Police¹⁴⁷. It was noted that there are considerable problems for those investigating economic crimes to perform their duties because of a lack of modern IT solutions and lack of appropriate modern equipment. An EU Commission Report (2021), for example, noted that in 2020 a large amount of digital data was seized and, despite the in-house expertise in the prosecutors’ office, the data decryption and analysis required represented a challenge for the office.

In relation to IT infrastructure within the State Police and supporting institutions, interviewees noted that they could be improved upon, but acknowledged ongoing developments in this area¹⁴⁸. For example, limitations were expressed about the KRASS system. It was reported that some fields were not required/not mandatory in relation to case details, which investigators did not complete because of heavy workloads, which meant only basic information was available on cases¹⁴⁹. It was noted, however, a new system is currently being developed which will make it easier to monitor cases¹⁵⁰. This will also have new analytical tools within it, which will further enhance its utility. IT developments have also been noted in the courts system. A recent European Commission (2021) report assessed the level of digitalisation of courts and the prosecution services as high and noted ongoing efforts to develop it further. They acknowledged that “the deployment of ICT by the Latvian justice system is among the most advanced in the EU, especially for case management and court activity statistics, communication with court parties and online publication of judgments, most of which are machine-readable” (European Commission, 2021^[5]). Nonetheless, the lack of a suitable IT solution for tracking cases was expressed by the IDC, resulting in further delays because all requests have to be entered into the system manually. However, they do assert that a new system is in

the pipeline. It might be premature, however, to believe that technology alone will have a significant impact on the quality and quantity of investigations in this area, which although often viewed as the answer to the problem, should only be viewed as playing a supportive role.

Conclusion

This chapter summarises the insights gleaned from the interviews conducted. It is evident from material that a lot of the recommendations made in the aforementioned reports have been addressed to some degree. For example, in relation to improved supervision by prosecutors on serious cases; amendments to the Criminal Procedure Law, 2005 (specifically relating to the ability to terminate cases under certain conditions); an enhanced FIU; and a dedicated Economic Crime Court. Issues and challenges remain, however. For example, lack of experience of new police and prosecutions, delays in cases due to lack of resources in support services and challenges with international cooperation, and continued complexity of cases. Additional issues were also noted, for example, those relating to measuring success, the increase cyber dimension. An observation worth noting, however, that is largely omitted for the reports examined, but is important to acknowledge is that many of the challenges emanating from the very nature of complicated cases (they are commonly complex, labour intensive and can require a multiplicity of stakeholder involvement, coupled with an increase in cross border dimension) are not unique to Latvia. These factors, in fact, are similar to Horvath, Meesig, and Hyeock (2003) findings as the common explanations as to why significant improvements are not seen (Horvath, Meesig and Hyeock Lee, 2001^[9]). It is, therefore, important to determine what challenges can be addressed, cognisant of the underlying dynamics of economic crime investigations generally, which the next chapter aims to do (Brisach, Ullmann and Sasse, 2000^[10]).

Notes

¹ Although this is less borne out in the State Police crime figures provided.

² This may change give the recent amendments to the Criminal Procedure Law 2005, which now allows for cases to be terminated if certain conditions are met (Vaisla and Petrov, 2021).

³ Interview No. 17.

⁴ Interview No. 3.

⁵ Interview No. 16.

⁶ State Police Statistics provided for this study.

⁷ Interview No. 11.

⁸ Interview No. 3, 5 & 6.

⁹ Interview No. 4.

¹⁰ Interview No. 4 & 13.

¹¹ Interview No. 5.

¹² Interview No. 4.

¹³ Interview No. 10.

¹⁴ Interview No. 6.

¹⁵ Interview No. 11 & 12.

¹⁶ Interview No. 5.

¹⁷ Interview No. 6.

¹⁸ Interview No. 18.

¹⁹ Interview No. 4.

²⁰ Interview No. 18.

²¹ Interview No. 4.

²² Interview No. 3 & 7 & 11.

²³ Interview No. 20.

²⁴ Interview No. 5.

²⁵ Interview No. 3.

²⁶ Interview No. 5.

²⁷ Interview No. 11.

²⁸ Interview No. 11, 12 & 15.

²⁹ Interview No. 11.

³⁰ Interview No. 5 & 12.

³¹ Interview No. 10 & 18.

³² Interview No. 3.

³³ Interview No. 10

³⁴ Interview No. 6 & 10.

³⁵ Interview No. 6.

³⁶ Interview No. 5.

³⁷ Interview No. 6.

³⁸ Interview No. 7.

³⁹ Interview No. 4.

⁴⁰ It was highlighted across a number of interviews that former police officers had moved to positions outside the force, for example, to other government departments and to the prosecutors office, bringing with them valuable experience.

⁴¹ Interview No. 12.

⁴² Interview No. 1.

⁴³ Interview No. 7.

⁴⁴ Interview No. 3.

⁴⁵ Interview No. 7.

⁴⁶ Interview No. 1.

⁴⁷ Interview No. 1.

⁴⁸ Interview No. 10 & 18.

⁴⁹ Interview No. 4.

⁵⁰ Interview No. 11.

- 51 Interview No. 21.
- 52 Interview No. 11.
- 53 Interview No. 7.
- 54 Interview No. 7.
- 55 Interview No. 3.
- 56 Interview No. 12
- 57 Interview No. 4.
- 58 Interview No. 4.
- 59 Interview No. 21.
- 60 Interview No. 4.
- 61 Interview No. 4 & 10.
- 62 Interview No. 5.
- 63 Interview No. 6.
- 64 Interview No. 12.
- 65 Interview No. 7.
- 66 Interview No. 18.
- 67 Interview No. 5 & 17.
- 68 Interview No. 21.
- 69 Interview No. 1.
- 70 Interview No. 5.
- 71 Interview No. 4.
- 72 Interview No. 12.
- 73 Interview No. 5.
- 74 Interview No. 3.
- 75 Interview No. 6.
- 76 Interview No. 6.
- 77 As of July 2021.

⁷⁸ Interview No. 5.

⁷⁹ Interview No. 20.

⁸⁰ Interview No. 3 & 18.

⁸¹ Interview No. 5.

⁸² Interview No. 5 & 12.

⁸³ Interview No. 7.

⁸⁴ Interview No. 12.

⁸⁵ Interview No. 12.

⁸⁶ This has now changed with the amendments made to the Criminal Procedures Law, 2005 (Vaisla and Petrov, 2021).

⁸⁷ Interview No. 4.

⁸⁸ Interview No. 3.

⁸⁹ Interview No. 5.

⁹⁰ Interview No. 5.

⁹¹ Interview No. 5.

⁹² Interview No. 6.

⁹³ Interview No. 5.

⁹⁴ Interview No. 5.

⁹⁵ Interview No. 10.

⁹⁶ Interview No. 20.

⁹⁷ Interview No. 6.

⁹⁸ Interview No. 12.

⁹⁹ Interview No. 20.

¹⁰⁰ Interview No. 21.

¹⁰¹ Interview No. 6.

¹⁰² Interview No. 1 & 16.

¹⁰³ Interview No. 16.

¹⁰⁴ Interview No. 16.

¹⁰⁵ Interview No. 16.

¹⁰⁶ The State Police of Latvia are also currently undergoing a review of the organisational structure, with a view to restructure in the near future.

¹⁰⁷ Interview No. 4, 10, 13.

¹⁰⁸ Interview No. 13 & 16.

¹⁰⁹ Interview No. 4, 6, & 12.

¹¹⁰ Interview No. 7.

¹¹¹ State Police Statistics provided for this study.

¹¹² Interview No. 19.

¹¹³ Interview No. 5.

¹¹⁴ Interview No. 5.

¹¹⁵ Interview No. 15.

¹¹⁶ Interview No. 4.

¹¹⁷ Interview No. 6.

¹¹⁸ Interview No. 19.

¹¹⁹ Interview No. 5, 12, 13.

¹²⁰ Interview No. 19.

¹²¹ Interview No. 17.

¹²² Interview No. 19.

¹²³ Interview No. 6.

¹²⁴ Interview No. 5.

¹²⁵ Interview No. 13 & 19.

¹²⁶ Interview No. 7.

¹²⁷ Interview No. 17.

¹²⁸ Interview No. 10.

¹²⁹ Interview No. 19.

¹³⁰ Interview No. 19.

¹³¹ Interview No. 5.

¹³² Interview No. 20.

¹³³ Interview No. 4.

¹³⁴ Interview No. 12.

¹³⁵ Interview No. 5 & 17.

¹³⁶ Interview No. 11.

¹³⁷ Interview No. 11.

¹³⁸ Interview No. 18.

¹³⁹ Interview No. 7, 8, 10, 12, 13, 14.

¹⁴⁰ Interview No. 7.

¹⁴¹ Interview No. 11.

¹⁴² Interview No. 5.

¹⁴³ Interview No. 15.

¹⁴⁴ Interview No. 6.

¹⁴⁵ Interview No. 10.

¹⁴⁶ Interview No. 13.

¹⁴⁷ Interview No. 15.

¹⁴⁸ Interview No. 10 & 17.

¹⁴⁹ Interview No. 8.

¹⁵⁰ Interview No. 8.

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5 **Overcoming the inherent challenges of economic crime in Latvia**

Chapter five draws further on the previous chapters highlighting a selection of key areas requiring attention that may benefit from improvements, using a selection of international cases to contextualise examples of good practice. The selection of good practice case studies was based on the assessment of the existing challenges pertaining to the proper investigation of economic crime cases in Latvia. The characteristics of the problems identified were used to assess the merits of the approaches exemplified. This was conducted to ensure the mechanism behind the success of the recommended actions addressed the problems highlighted during the study.

Introduction

Chapter Five, in drawing from the previous chapters and analysis and supported by available literature, highlights four areas that may benefit from prioritised attention. Two areas (training and allocations of resources) are highlighted, as they specifically relate to the Latvian context and to draw from the experience and knowhow more generally in relation to the proper investigation and prosecution of economic crime cases. The first area specific to Latvia concerns the need for training. This was highlighted in all the reports identified and throughout the majority of interviews. The second relates to allocation of resources commensurate with the magnitude and scope of the problem, looking at ways to minimise workloads through the prioritisation of serious crimes¹. The two areas requiring attention because of the ongoing challenges they present, but not unique to Latvia include, the challenge of dealing with complex, labour-intensive cases, involving a multiplicity of stakeholders, and second, challenges associated with cross border and extra-territorial dimensions of economic crime. A combined approach such as this is appropriate, as many of the challenges, although often discussed as a single issue (for example, delay in cases), are more complex and require multiple responses to alleviate different factors influencing them. In taking this approach, this study also adds greater insights into why many of the recommendations of the other reports, despite active implementation in many areas, have not been as impactful as desired. This lack of immediate or significant observable impact of these changes is not unique to Latvia, rather as identified in the literature, may be indicative that the right levers of change have yet to be moved.

It is worth noting that these observations, although influenced by the findings, also reflect the conclusions of relevant literature in this area, which predominately suggests four areas of improvement in relation to police investigations: (1) model procedures; (2) additional resources (personnel, forensics, information management); (3) improved relationships (internal and external); and (4) better training (Braga and Dusseault, 2016^[1]). In examining the recommendations made in previous reports, they can largely be put into one of these four categories. What they fail to adequately do, however, is to specifically identify the root causes of the problem at hand in respect to the investigation and prosecution of economic crime. This is a fair criticism of this report too, which is also limited in its specificity². That said, the findings of the aforementioned reports and this analysis are similar to the available literature at a high level. For example, in studying the causes of criminal investigative failures, Rossmo and Pollock found three problem areas (a) personal issues; (b) organisational problems; and (c) situational features (Rossmo and Pollock, 2019^[2]). These resonate with the main issues impacting economic crime investigation and prosecution as noted by in an interview with a representative of the Ministry of the Interior (MOI) (i) capacity of investigative structures, (ii) qualifications and knowledge of investigators, (iii) political prioritisation of changes. These, too, are similar to the findings contained here, with numerous interviews recognising personal, or organisation and situational factors influencing criminal investigative failures (as highlighted in the last chapter), albeit it is noted that the approach taken does largely focus on the organisational and situational factors, for the most part. The next section provides further insight into the key challenges identified.

Training

The majority of reports reviewed for the purpose of this research made reference to perceived inadequacies in the skill set and knowledge of those involved in the investigation and prosecution of economic crime cases. This was reiterated throughout the interviews, but in a more nuanced way. Opportunity for professional development was deemed to be very good at present across the majority of organisations and individuals interviewed, with internal, inter-agency and international training opportunities accessible and of good quality. Moreover, it was evident that many of those involved in economic crime investigations and prosecution proactively seek opportunity for self-learning and knowledge gathering. Despite these positive observations, however, the findings of the interviews indicate that entry level training for police and prosecutors does not equip new members and members moving into

specialised roles with the skills that are required for the investigation and prosecution of complex economic crime cases and there is a lack of formal specialist operational training for police officers to access, develop and mature their knowledge and skills in this area³, which has resulted in many gaining their experience and knowledge through on the job learning. While there are efforts being made to address this⁴, as noted in the previous chapter, similar issues are routinely reported in the extant literature on crime investigations noting that training in the area of serious crime investigations is “inadequate, inconsistent and incomplete” (Horvath, Meesig and Hyeock Lee, 2001^[3]). While learning can be achieved on the job, investigators need to be equipped with the necessary training and skills to inform them of organisational approach to such investigations, which seem to be absent at present. Serious crime investigations require a lot of investigators, such as capacity and capabilities with respect to deductive, inductive, and abductive reasoning, not just experience and knowledge in the operations of police processes, therefore, formal training is required (Fahsing and Ask, 2017^[4]).

The issue of inadequate training has been raised in previous reports, and improvements made, at least with respect to opportunities for professional development, however, significant attention is required at least in relation to the level and type of training available to new investigators, thus representing one area for recommendation. Training new officers better, however, is not the panacea that it might appear to be, because exactly what makes a good investigator is actually yet to be fully understood. Academically, available literature focuses largely on uniformed officers, omitting attention to how effective investigators or detectives work is. This may be due to the lack of agreement as to what success looks like, as discussed in the interviews. This was reiterated in the findings of some of the reports reviewed and throughout the interviews. There were different opinions on how effective police investigators really are in understanding what is expected of them, with an over emphasis on closing cases, often prioritised over quality. This echoes Eck and Rossmo’s opinion that a focus on crime clearance rates, may in fact undermine the promotion of justice and solving crime may not have a direct impact on the level of crime, which are likely to negatively impact society at large (Eck and Rossmo, 2019^[5]). They assert that “criminal investigations should (a) focus on the quality of investigations by aiming to reduce errors and (b) orient investigative units toward prevention as well as toward the solution of crime” (602). This demonstrates that training needs to be closely designed around the activities required in investigations, but also in a manner that is cognisant of the environment in which it will be conducted. This is currently not been adequately done at present in Latvia.

Good practice training courses are available across the world, but direct transfer and implementation into the Latvian context is unlikely to be effective, as noted by many of the interviews (See Box 5.1 for an example from the United Kingdom). Direct transplantation of good practices (training or in other areas) is rarely successful, without a thorough understanding of the context in which it works, and symmetry between that and the conditions in which it is to be transposed. Nonetheless, learning from one or more examples of good practice can be impactful if the conditions of change are understood.

Box 5.1. Selection of Economic Crime Investigation Training Courses

Here is a selection of economic crime investigation training courses run by the National Crime Agency in the United Kingdom (UK), which are designed and tailored around specific investigation needs. While each country has different specificities that make their training needs unique, they share a number of key and important factors in training design. For example, they have a clear training objective, they aim to ensure that trainees will acquire the specific knowledge and skills (competencies) they need to do their jobs; and they can be evaluated against the following three components;

- the content or information to be transmitted

- the organisation of the curriculum, which includes structure, format, and sequencing
- the training methods used.

Thus, these courses are likely to help those in Latvia design their own new curriculum based on their needs.

- Financial Intelligence Officer
- Financial Investigator
- Confiscation course

Notes: Financial Intelligence Officer : [Financial investigation training courses - National Crime Agency](#); Financial Investigator : [Financial investigation training courses - National Crime Agency](#); Confiscation course : [Financial investigation training courses - National Crime Agency](#).

Source: National Crime Agency, 2021.

Insufficient investment

A number of areas were highlighted in the reports reviewed and the interviews which call for greater investment in economic crime investigations, for example, into training, technology, equipment, forensic service, etc. It might be easy to deduce that greater investment would significantly impact, in a positive way, the proper and effective investigation and prosecution of economic crime. For example, this appears from the interviews to have benefited the work of the Financial Intelligence Unit (FIU) considerably. Thus, it might appear logical that greater investment and increasing the sophistication around serious crime investigation, through the introduction of modern investigative equipment and related technology, such as forensic analysis, CCTV, linked data bases, etc., coupled with extra manpower would result in improved investigation and prosecution, but will it really? In fact, this is not born out in statistics (Eck and Rossmo, 2019^[5]). A key reason why this approach is not as impactful as one may think is that normally such innovations are introduced without any or few changes in the criminal investigation model overall. A model which has not hugely changed for years (Horvath, Meesig and Hyeock Lee, 2001^[3]). This may also help explain why only marginal improvements in prosecutions have been made, despite enhancement in many of the areas covered. That said, the lack of resources is a consistent problem identified in this review, and to overcome many of them greater investment will be required. To ensure access to these funds, Latvia might explore the use of confiscated proceeds of crime to supplement law enforcement resources and examine the possibility of removing the cap on the confiscation fund, which is currently set at €2million (see Box 5.2 for more details).

Following this logic, to ensure a meaningful impact might best be achieved, one needs to review the investigative strategy and model used, before responding to the other issues, such as IT, equipment, training, etc. The problem at hand should inform the response, not the desired outcome, a subtle but different approach.

Box 5.2. Confiscation of the Proceeds of Crime – ASSETS FORFEITURE FUND (USA)

In 1984, the United States of America (USA) introduced the Comprehensive Crime Control Act, which established the Department of Justice Assets Forfeiture Fund. This fund was established to “receive the proceeds of forfeiture and to pay the costs associated with such forfeitures, including the costs of managing and disposing of property, satisfying valid liens, mortgages, and other innocent owner claims, and costs associated with accomplishing the legal forfeiture of the property” (np). The fund sees billions of dollars deposited annually and is managed and maintained with appropriate accounting and

oversight. The fund is also allowed to be used to finance certain general investigative expenses. Such forfeitures, therefore, while critical in reducing the rewards of crime, can also have a positive impact on investigative responses, through the allocation of additional resources.

Source: [Department of Justice, 2022](#)

Problems outside the control of Latvia

Two key findings of note observed within this research relate to factors which are largely outside the control of the State Police, or the Latvia Government, for that matter. These relate to the very characteristics of economic crime investigations that make them complex and time consuming, and also the increasing extra-dimension of economic crime, which collectively put a significant burden on those involved in the investigation and prosecution of such cases. As noted, this is not unique to Latvia, it is a point routinely acknowledged and highlighted by Interpol and Europol. The investigation of economic crime and serious crime, for that matter, should therefore be seen and accepted for what they are, complex, time consuming and labour intensive because such crimes require greater time and effort than, for example, cases where officers arrest someone at the scene of a crime. Key activities that are not involved in the latter crime type, but are present in the investigation of serious crime, involve increased administrative functions, such as reviewing reports, finding and interviewing witnesses, file creation and documentation (Eck and Rossmo, 2019^[5]). This will make, and is making, investigations more difficult with the complexity negatively impacting the likelihood of successful prosecution.

Similar to responding to challenges associated with insufficient resources and investment with more resources, it may appear logical to simply recommend increasing personnel allocated to such investigations, and extra support services, which would in fact address challenges raised in the interviews—the need for greater investment to match response capacity with demand. Positive impact, however, is not likely at the level required to achieve significant change, because complexity is not something that can be solved solely by increased numbers, rather often needs a new and improved response. This requires a different approach. An example of a different approach can be seen in Ireland, in the form of the Criminal Assets Bureau (CAB) which was established in 1996 to in the wake of the murder of a serving police officer, a high-profile journalist, and prominent actions of Irish criminals. The establishment of CAB marked a new and innovative approach to policing in Ireland. Unlike traditional criminal investigations which target individuals, CAB was introduced to focus on assets, resulting in CAB's core function being to deny and deprive criminals of assets that they've acquired through their criminality (See 3 for more detail on CAB).

Box 5.3. Multidisciplinary Units for Serious Crime Investigation – Ireland's Criminal Assets Bureau (CAB)

The Criminal Assets Bureau (CAB) was established in Ireland in 1996 and is a separate legal entity from An Garda Síochána, the Irish Police Force. CAB's objectives are:

- A. the identification of the assets, wherever situated of persons which derive or are suspected to derive, directly or indirectly, from criminal conduct,
- B. the taking of appropriate action under the law to deprive or to deny those persons of the assets or the benefit of such assets, in whole or in part, as may be appropriate, and
- C. the pursuit of any investigation or the doing of any other preparatory work in relation to any proceedings arising from the objectives mentioned in paragraphs (a) and (b).

CAB is structured differently than traditional policing bodies too. It recruits personnel from four departments or organisations; An Garda Síochána, the Department of Justice and Equality, the Revenue Commissioners (which consists of both Customs and Taxes), and the Department of Social Protection. This enables a multi-disciplinary response, maximising complimentary skills, capacities, and powers, of the respective organisations and departments that make up CAB. This approach also helps overcome siloed thinking. This combination of skills and competencies is further enhanced by the co-location of members of CAB, working together with each other in the same offices, in the same teams, on the same cases; co-location has also been a key component of CAB's success. It has allowed for trust and respect to develop within the teams, who have shared aims, goals and can enjoy shared successes. At an EU level, the European Cybercrime centre is another case in point, which although is mainly made up of a combination of different police forces, they also work in close partnership with industry and academia.

Source: CAB, 2021.

This is not to dismiss the issues identified in the previous reports and interviews. After all, they are important, are evidence led, and largely resonate with the extant literature in this area. These are, however, not the problem per se, rather are symptoms of the problem. Therefore, to simply move straight to recommendations to deal with these individual issues would omit recognition that despite all this and coupled with positive changes, little impact has been achieved to date. The next section, therefore, offers reasons why improvement has not been achieved, and illustrates why despite identifying some of the key issues, a more nuanced understanding is necessary.

Changing the investigative approach in Latvia to tackle remaining challenges

Despite clear identifications of some of the problems pertaining to the proper investigation and prosecution of economic crime in Latvia, and notwithstanding the progress made, few of the recommendations made in previous similar reviews that have been implemented have had a significant positive impact to the overall goal of improving cooperation and coordination mechanisms in Latvia among the State Police departments, and other actors in this area. It would be remiss, however, just to reiterate similar recommendations made, or to make recommendations that address the observable problem but do little to address the underlying factors. Before making recommendations, therefore, it is pertinent to examine options that both acknowledge these well documented challenges, while at the same time examine how the recommendations made herein can lead to sustainable change.

Taking a problem solution focused approach is one possible option. Viewing economic crime and not understanding the environmental factors and complex interactive systems that are driving it will ensure police are always reactive. Real progress on crime prevention is largely based on recognising opportunity and altering them (Goldstein, 1990^[6]). Little has changed in this regard since the 1990s. The same logic could be applied to economic crime, an approach often called 'problem solving'.

Economic crime offers offenders high profit with low risk, making it an attractive form of criminality. To avoid detection, they often undertake counter-investigation measures to make it difficult, if at all possible, to identify them. The very nature of these crimes and such actions make investigation and prosecution difficult. If one sees the problem as the number of such crimes—which is logical, as this is directly influencing the workload of both the police and prosecutors. One might consider actions that increase the risk of the perpetrator getting caught, thus changing the low-risk high profit scenario to high-risk high profit. In contrast, one could go down the route of increasing financial controls, reducing the ease of cross border money flows. etc. one might shift the balance to low risk, low profit. Or, better yet, a combination of both.

This approach seeks to rebalance the motivations for and opportunity of economic crime. In turn, reducing the level of crime should result in a lesser workload for police, prosecutors and support services, so they can focus on priority economic crimes, both nationally and internationally, further providing a deterrent effect for those who are still motivated to offend.

This approach also recognises the need for investigators to have the capacity and capabilities to apply deductive, inductive, and abductive reasoning (Fahsing and Ask, 2017^[4]). Heuer (1991) highlights that these skills help raise awareness of cognitive biases, but also recognises that they need to be supported by organisational policies and procedures to avoid errors (Heuer, 1999^[7]). In the context of Latvia, and in recognition of the need for a new curriculum for investigators, these aspects are of significant importance to consider. Moreover, it can be beneficial to have periodic reviews of unsolved cases by an independent investigation at certain periods of time. In complex cases, this may even benefit from the investigator from a different police agency. Like cold case reviews, if the investigators are not involved in the original investigations, they may be in a better position to identify mistakes and oversights.

The report has largely looked at actors within the wider criminal justice system (CJS), but a problem-solving approach requires more than just a criminal justice response, because research has shown that increased crime rates can influence private efforts at prevention and avoidance, which can result in many different actors taking different, often not complimentary responses (CentrePiece, 2013). Any response, therefore, needs to be cognisant of all actors in this process, and maximise their involvement, inside and outside the CJS. This specific focus is often what limits impact, as it can often oversimplify the problem. Recent research on implementing problem-oriented approaches, have found that this is often a common failing of such approaches too, and researchers now call for a recognition that problem approaches need to be designed in response to complex problems, by taking a multi-criteria approach.

Using such an approach allows for a deeper analysis of the problem, before selecting a solution, which this report is aiming to do (Read and Tilley, 2000^[8]). Moreover, this approach can help identify conflicts between different goals (e.g., justice, national security, economic resilience, national reputations, etc.) between stakeholders. This calls for a different method, viewing the police and prosecutors and other traditional actors in this space within a broader multidisciplinary frame, structured similar to frameworks from other disciplines, including design, engineering and risk management (Borrion et al., 2020^[9]).

Positively, there appears to be a growing awareness of the benefits of this broader approach to economic crime in Latvia, for example, greater cooperation between police and prosecutors, with international law enforcement, and increasingly in terms of public private partners, which were all reported during the interviews. It also conforms to existing, albeit old research, which found that improving relationship between detectives (investigators) and patrol officers, as well as the wider community helped in de-isolating investigators, thus, improves their work (Sherman, Milton and Kelly, 1973^[10]). If one takes for example, the case involving the Economic Crime Enforcement Department (ECED) and Federal Bureau of Investigation (FBI) highlighted above, one can clearly see how inclusion, engagement and relationships was beneficial in this case, indicating this research might hold through today, and may further indicate that widening the network investigators have to engage with may help as well.

Changing the way investigators think

There is also merit to exploring how the existing investigative model fits into this new approach, which Eck and Rossmo (2019) note has suffered from neglect, conservative traditions, and organisational dogma (Eck and Rossmo, 2019^[5]). This is also especially pertinent given the need for reconfiguring the response to economic crime. One must also reconfigure the actors involved. Eck and Rossmo (2019) offer an alternative model from which to do this, which is framed around 'investigative thinking' (Eck and Rossmo, 2019^[5]). While this does not change the main purpose of investigators, it changes their way of doing things. Added investment or change in the proposed model investigative procedures, additional resources, improved relationships, and better training while likely to have some positive impact, as is being seen in

Latvia, is unlikely to have a significant observable impact because the impacts achieved largely focus on gathering more evidence, without change in how it is evaluated and/or analysed (Eck and Rossmo, 2019^[5]). Thus, there is a need to change the latter, therefore, by improving investigative thinking and the investigative model used. An example of an innovative approach to investigative thinking is evident in Norway, by privatising investigations into white collar crime, for example (Amundsen, 2021^[11]) (See 4 for more details).

Box 5.4. Alternative Approach to White Collar Crime Investigation – Norway

The change of approach was in part influenced by the fact that the Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime had experienced challenges in securing convictions for economic crime cases. Issues included not enough staff, challenges in court, too many cases, etc. Similar to many of the problems identified in Latvia. In Norway, the growing recognition that despite further investment into the investigation and prosecution of cases by police and state bodies, they could not meet the demand (Amundsen, 2021). Therefore, the government incentivises private companies to investigate themselves, rewarding them with lower penalties and entering into negotiated settlements, if they present their own evidence and cooperate with authorities. While this system is not without its own problems, for example, can someone be held criminally liable, but it presents another way of doing things, and reduces the demands on the police and related authorities to work on other cases.

Source: Author.

Conclusion

This chapter examined some of the core issues raised in the documents reviewed and the interviews viewing them within the investigative approach, rather than as standalone issues. The logic of this approach is that many of these issues raised are symptoms of deeper problems, often outside the control of the State Police, and sometimes even beyond that of the Latvian authorities, and the chapter sought in so far as is possible to identify the underlying causes for continued problems in this area. The core lesson of this chapter, and the document as a whole, is that the challenges encountered in Latvia are the result of a number of different factors stemming from organisational problems and situational features. As noted before, examining personal issues was beyond the scope of this study. These operational and situation problems are such that any improvements in these areas are unlikely to be effective if dealt with in isolation, notwithstanding that, considerable efforts will be required in areas, such as personnel, workloads, initial and ongoing training, mentorship and supervision, support personnel, and forensic and information technology. To be effective, however, their impact on the overall approach needs to be better understood, as it is the overall response to economic crime investigations and prosecution in Latvia that needs to be re-structured. It is on this basis that the recommendations from this study were designed, which draw their rationale from the information gleaned from the other reports, extant literature and the interviews. Merging this information together ensures a deeper more nuanced probe into the problems at hand, and helped generate recommendations to support sustainable improvements in both the investigation and prosecution of economic crime in Latvia.

Notes

¹ Interview No. 12.

² The terms of reference of this report are such that it was not designed to measure the problems in cases at the individual level; nonetheless, recognising the merits of doing so, as highlighted in the recommendations.

³ One reason for this offered was the closure of the Police Academy in 2010.

⁴ Interview No. 21.

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Annex A.

Representatives Interviewed from the following Latvian organisations

- Corruption Prevention and Combating Bureau of Latvia
- Cybercrime Unit
- Economic Crime Enforcement Department (ECED)
- Financial Intelligence Unit
- Forensic Service Department
- Ministry of the Interior
- Prosecutor General's Office
- Regional Departments - Latvian State Police
- Regional Prosecution Offices
- Specialised Public Prosecutor's office in Financial and Economic crime
- State Police College
- State Revenue Service

Interagency Coordination in Economic Crime Investigations in Latvia

Economic and financial crimes are growing in numbers, complexity and reach, making them increasingly difficult to investigate and successfully prosecute. This report details efforts in Latvia to strengthen its criminal justice system against financial and economic crimes. It highlights the range of challenges common to numerous jurisdictions, and describes progress made in Latvia to address these challenges through interagency cooperation mechanisms. Finally, it provides recommendations for areas requiring further attention.



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