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Strengthening Latvia's Conflict of Interest regime: towards effective implementation

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Enter contact names here.

Table of contents

FIGURES

TABLES

BOXES

1 Preventing Conflict of Interest in Latvia: a legal review

A robust system for the prevention and management of conflict of interest is vital to ensure the integrity of government decision-making. In Latvia, the general conflict of interest regulation is covered under the Law on Prevention of Conflicts of Interest in Activities of Public Officials (IKNL). Narrow sectoral issues are covered by the specific sectoral regulations, which may at times prove challenging to comprehend for stakeholders. The prevention of conflict of interest is achieved via restrictions, prohibitions, and obligations in the IKNL. However, its potential as a comprehensive tool for both preventing and managing conflict-of-interest situations may not yet be fully realised.

1. Integrity is essential for building strong institutions and assures citizens that the government is working in their interest, not just for the select few. More than just a moral issue; integrity is also about making economies more productive, public sectors more efficient, and societies more inclusive. In a rapidly changing public sector environment, new forms of relationships are continuously developing between the public and private sector. When prevention mechanisms fail and a conflict of interest (CoI) becomes corruption, the reputation of democratic institutions are put to the test and trust in government is undermined. Therefore, a strong framework for preventing and managing conflict of interest situations is key to ensuring that government decisions are not influenced by public officials' private interests and thus, safeguarding democratic achievements (OECD, 2003[1]).

2. The 2017 OECD Recommendation on Public Integrity covers conflicts of interest prevention in all three pillars (Figure 1.1). First, by setting clear and proportionate procedures to manage actual or potential conflicts of interest. Second, by providing easily accessible formal and informal guidance and consultation mechanisms to support public officials in managing conflict-of-interest situations. Finally, by averting the

capture of public policies by narrow interest groups through a conflict-of -interest management framework that ensures effective accountability (OECD, 2017[2]).

Figure 1.1. The OECD Recommendation on Public Integrity: System, Culture, Accountability

Source: (OECD, 2017[2])

3. Similarly, the 2003 OECD Recommendation on Guidelines for Managing Conflict of Interest in the Public Service states that while a conflict of interest is not *ipso facto* corruption, there is increasing recognition that conflicts between the private interests and public duties of public officials, if inadequately managed, can result in corruption. The proper objective of an effective conflict-of-interest policy is not the simple prohibition of all private-capacity interests on the part of public officials, even if such an approach were conceivable. The immediate objective should be to maintain the integrity of official policy and administrative decisions and of public management generally, recognising that an unresolved conflict of interest may result in abuse of public office (OECD, 2003[3]).

4. The OECD Public Integrity Indicators (PII) measure key aspects of the implementation of the aforementioned Recommendations. Latvia was last assessed in 2022 on Principle 13 (Accountability of Public Policy Making), which included an analysis of the conflict of interest safeguards in place (OECD, 2024[4]). Concerning the use of conflict-of-interest prevention mechanisms for senior officials, Latvia fulfils 8 out of 9 of the sub-indicators, well above the OECD average score of 3.6 out of 9 (Table 1.1). However, the responsible authority for interest declarations does not issue recommendations for all cases of conflict of interest detected. Rather, under Section 20 of the Law on Prevention of Conflicts of Interest in Activities of Public Officials (*Par interešu konflikta novēršanu valsts amatpersonu darbībā*, IKNL), each institution is responsible for handling these situations themselves (Saeima, 2002[5]). The Corruption Prevention and

Combating Bureau of Latvia (KNAB) does not issue recommendations after each established conflict of interest situation. After explaining the nature of the violation to the individual involved, KNAB implements further preventive measures. These may include conducting targeted training sessions for the specific institution or group of public officials to ensure that similar conflicts of interest do not arise with other officials. This systemic approach is demonstrated by the education of approximately 10,000 individuals annually.

Table 1.1. Latvia's performance on the OECD Public Integrity Indicators (PII)

Conflict-of-interest prevention measures in practice	Latvia	% of countries fulfilling
• The submission rate of interest declarations from members of the Government is 100% for the past six years.	✓	55%
• The submission rate of interest declarations from members of parliament is at least 90% for the past six years.	✓	62%
• The submission rate of interest declarations from members of the highest bodies of the judiciary is at least 80% for the past four years.	✓	24%
• The submission rate of mandatory interest declarations from newly appointed or reappointed top-tier civil servants of the executive branch is at least 80% for the past four years.	✓	31%
• Declarations to be verified are selected according a risk-based approach.	✓	45%
• At least 60% of declarations filed during the latest two full calendar years were verified by the responsible authority.	✓	24%
• The responsible authority has issued recommendations for resolution within 12 months for all cases of conflict of interest detected for the past three years.		24%
• A range of sanctions has been issued during the past three years in cases of non-compliance with disclosure obligations, non-management or non-resolution of a conflict-of-interest situation.	✓	34%
• All declarations are submitted electronically.	✓	45%

Source: (OECD, 2024[4])

5. In Latvia, the main legal instrument governing conflicts of interest is the IKNL, which has undergone a total of 33 amendments from 2007 to 2023. According to Section 2 of the IKL, the purpose of the Law is to ensure that the actions of public officials are in the public interest, by preventing the influence of a personal or financial interest of any public official, his or her relatives or counterparties on the actions of the public official, as well as to promote openness of the actions of the public officials and their public accountability, and the public confidence in the actions of public officials. (Saeima, 2002[5]).

6. Conflict of interest provisions are also found elsewhere, including in the Cabinet Recommendation No. 1 Values of State Administration and Fundamental Principles of Ethics (*Valsts pārvaldes vērtības un ētikas pamatprincipi,* Latvijas Vēstnesis, 235, 29.11.2018), the Public Procurement Law (*Publisko iepirkumu likums*¸ Latvijas Vēstnesis, 254, 29.12.2016. and the Law on Local Government (*Pašvaldību likums,* Latvijas Vēstnesis, 215, 04.11.2022). Similarly, each public institution has a Code of Ethics where conflict of interest provisions are explained, and further obligations stated (Box 1.1).

Box 1.1. Codes of Ethics covering Conflict of Interest regulations in Latvia

The ***State Police*** adopted a Code of Ethics in 2020 that provides ethical values and basic principles for general rules of conduct for integrity, the prevention of CoI, communication with lobbyists, as well as the procedure for dealing with violations of the provisions contained within the Code.

The Code sets out that compliance with the Code and its basic ethical principles shall be ensured by the head of each unit concerned. Moreover, an Ethics Commission has been established within the State Police to promote the implementation of and compliance with the Code, as well as being a designated point of trust in matters of ethics.

Section 4 of the Code specifically focuses on actions to prevent CoI. Provisions include the avoidance of situations where a real, potential, or perceived conflict of interest or conditions conducive to corruption could arise, the prohibition of accepting gifts in connection with the performance of duties and refrainment from performing duties which may give rise to CoI.

Similarly, the ***Judiciary*** first adopted a Code of Ethics for judges in 1995. In 2008, the Judiciary commenced discussions on the necessity to amend the Code. Following that, the discussions involved various institutions and addressed relevant Group of States against Corruption (GRECO) recommendations. In February 2021, a new Code was adopted. The amended Code sets out criteria such as Independence, Integrity and Dignity, Impartiality, Competence and Compliance, together with specific provisions on CoI. With respect to CoI, the Code stipulates that a judge should not take advantage of a judicial institution to satisfy their own private interest or the private interests of others and that they should not allow family, social or political relationships to affect their actions during the administration of justice.

In addition, in 2021 the ***Prosecutor General's Office*** adopted its Code of Conduct for prosecutors in Latvia. The Code declares that prosecutors are officials of the judicial power representing the state with the responsibility to oversee and lead the criminal procedure. As such, prosecutors are responsible for safeguarding democracy, human rights, and the rule of law, as well as for maintaining the highest standards of conduct. In addition, the Code lays down general principles intended to guide the prosecutors' behaviours. These complement the law and other ethical legal provisions and include, in particular, standards of conduct relating to independence, impartiality, the rule of law, competence, confidentiality, integrity and respect. Finally, the Code also stipulates rules to regulate relationships outside of public office.

On 7 July 2022, the ***State Revenue Service (SRS)*** adopted the updated internal regulations titled "*Code of Conduct of the State Revenue Service*", which are applicable to SRS officials and employees. The Code establishes basic principles of professional ethics in order to facilitate lawful, fair and qualitative performance of the duties of office. Its task is to promote the lawful, fair and qualitative performance of the duties of the staff and officials of the institution by creating a positive image of the SRS in society, as well as to reduce the likelihood of conflicts of interest and situations of unlawful lobbying. The Code provides fundamental principles of value and ethics and the determined action during and outside the performance of the duties of the office. These are binding on all employees of the SRS, regardless of their position, type and duration of employment. In cases not covered by the Code, the staff shall act in accordance with general ethical and behavioural standards. Each employee, as well as the head of the unit in his or her unit, shall be responsible for compliance with the Code of Conduct. The Code also states that employee should not allow a conflict of interest to arise and required to resign in a timely manner from performing (job) duties or joining positions where ethical considerations could call into question the impartiality and personal interest of the employee. In all cases, the SRS employee shall refrain from accepting, directly or indirectly, any gifts, offers of cash,

possessions or services, hospitality, expressions of grace or gratitude equivalent to a gift, and other benefits from SRS customers. The requirements of Section 13.1,2 of the IKNL shall be observed in acceptance of gifts. In addition, the Code presents infographics about the SRS policy against accepting any kind of bribe, gift or other benefit, as well as step-by-step guides indicating the necessary actions in the event of bribery.

Source: (Judicial Ethics Commission, 2021[6]), (Prosecutor General of Latvia, 2021[7]) (State Police Republic of Latvia, 2020[8]); information provided by Latvian stakeholders.

7. According to Cabinet Regulation No 630 ("Regulations Regarding the Basic Requirements for an Internal Control System for the Prevention of Corruption and Conflict of Interest in an Institution of a Public Person"), the adoption and implementation of Codes of Ethics is mandatory for all public entities in Latvia (Cabinet of Ministers of the Republic of Latvia, 2017[9]). Nevertheless, stakeholders interviewed for this report stated that most of these codes are based on legislative grounds and that only basic guidance is provided into their content. Considering this, these instruments are mostly disconnected from central level directives. In general, public ethics and the development of Codes of Ethics in public institutions falls under the mandate of the State Chancellery. In 2018, the State Chancellery adopted Recommendation No.1 "Basic Principles of Values and Ethics of State Administration", which applies to public officials and provides a point of reference for the development of individual Codes of Ethics (Cabinet of Ministers of the Republic of Latvia, 2018[10]). Similarly, stakeholders were of the view that Latvia's legislative framework could be further improved, as explained in detail throughout the report. Overall, consecutive, and dispersed amendments have made the legal framework fragmented and hard to follow by public institutions. The dispersion has resulted in a lack of clarity by public officials, of both their obligations and the objective of such provisions.

8. Overall, defining an effective policy approach, beyond legal provisions, to dealing with conflict of interest is essential to the political, administrative, and legal structure of a country's public life. This chapter provides an overview of the Latvian model and solutions in OECD member countries to identify and resolve conflict-of-interest situations in the public service. At the legislative level, it would provide avenues to address the issue previously mentioned, including fragmentation and ownership of legal provisions by relevant stakeholders. On the institutional level, the chapter provides trends, identifies good practices, and analyses emerging areas in which further work could be appropriate.

Integrity actors and their responsibilities overseeing conflict of interest regulations in Latvia

9. Assuring integrity depends on a wide range of actors who have significant roles in unifying public integrity with the public management and governance framework (Table 1.2). Co-operation among a variety of integrity actors, supports synergies to avoid overlaps and ensures uniform application of the integrity system, whilst shared oversight can help to identify and detect gaps and non-compliance in a CoI system (OECD, 2020[11]). Moreover, ensuring that management and internal controls work together with external oversight institutions and other integrity actors, is essential to safeguarding conflict of interest in the public sector (OECD, 2003[3]). To carry out its functions, each component of the integrity system requires sufficient financial, technical, and human resources that are commensurate with its mandate, as well as the appropriate capacities to fulfil its responsibilities (OECD, 2020[11]). In Latvia, multiple authorities have a role in overseeing CoI regulations.

Table 1.2. Key actors of the conflict-of-interest system in Latvia and their responsibilities

Actor	Type of agency	Responsibilities	Legal Framework
Corruption Prevention and Combating Bureau, *Korupcijas novēršanas un apkarošanas birojs*, (KNAB)	Independent Administration Authority under the supervision of the Cabinet of Ministers	They are entrusted with implementing Latvia's Corruption Prevention policy and monitoring the implementation of the IKNL, while also spearheading the development and enhancement of laws and regulations aimed at preventing conflicts of interest. Furthermore, they identify whether public officials are in a conflict of interest situation and whether they comply with IKNL prohibitions and restrictions. Finally, they are responsible for providing conflict of interest training to both public officials and the private sector.	Law on Corruption Prevention and Combating Bureau, *Korupcijas novēršanas un apkarošanas biroja likums* (30.04.2002)
State Revenue Service, *Valsts Ieņēmumu Dienests*, (SRS)	Direct Administrative Authority under the Ministry of Finance	They are entrusted with ensuring that officials complete and submit declarations as required by law. In accordance with the IKNL, they verify the submitted lists of declarants, receive electronic declarations and oversee their secure storage and public disclosure. Additionally, they have the authority to impose administrative charges for any violations discovered in accordance with the Administrative Violations Law, which applies to all public authorities in Latvia. In accordance with the Criminal Procedure Law, the SRS also investigates criminal offences for indicating false information in declarations of public officials (Criminal Law, Section 219).	Law on the State Revenue Service, Par *Valsts ieņēmumu dienestu*, (28.10.1993)
State Chancellery, *Valsts kancelejas*	Central Public Administration Institution directly subordinated to the Prime Minister	They ensure long-term development planning and coordination of the country, create and implement policies relating to state administration and human resources, as well as promote good governance and opportunities for public participation in public administration. In this regard, they also monitor ethical standards and transparency in governance.	Cabinet Regulation No 358, *Ministru kabineta noteikumi Nr. 358 Valsts kancelejas nolikums*
Financial Intelligence Unit, *Finanšu izlūkošanas dienests*, (FIU)	Independent Authority	They prevent money laundering and the financing of terrorism. They focus on combating criminal activities and provide vital assistance to law enforcement agencies in their efforts to combat these threats.	Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing, *Noziedzīgi iegūtu līdzekļu legalizācijas un terorisma un proliferācijas finansēšanas novēršanas likums*, (30.07.2008)
Prosecutor's office, *Latvijas Republikas prokuratūra*	Judicial Authority	They are tasked with instituting and overseeing criminal prosecutions while supervising the execution of punishments. They receive criminal	Law on the Prosecution Office, *Prokuratūras likums*, (02.06.1994.)

		offense cases from KNAB and apply sanctions in accordance with the country's criminal laws.	
Judicial Ethics Commission, *Tiesnešu ētikas komisija*	Judicial Self-Government Body	They provide opinions regarding the interpretation and possible violations of ethical norms. They evaluate possible violations of the Judicial Code of Ethics and decide on the initiation of disciplinary cases, as necessary.	Law on Judicial Power, *Par tiesu varu* (14.01.1993)
Constitution Protection Bureau, *Satversmes aizsardzības birojs,* (SAB)	National Security Authority	They are responsible for intelligence and counterintelligence efforts, as well as protecting state secrets. They safeguard NATO- and EU-classified information within public institutions. Furthermore, in accordance with the IKNL, they collect and verify asset declarations from public officials employed in the intelligence and security services, as well as the submitted lists of declarants.	Law on the Constitution Protection Bureau, *Satversmes aizsardzības biroja likums*, (19.05.1994.)
Office of the Prime Minister, *Ministru prezidenta birojs*	Cabinet Department	They provide support to the Prime Minister in their role as the head of the Government, assisting with various duties and responsibilities related to governance and administration. In accordance with IKNL, they are responsible for receiving asset declarations from the heads of SAB and KNAB. However, in practice, the declaration of the Head of KNAB is submitted to the SRS and is publicly available.	Cabinet Structure Law, *Ministru kabineta iekārtas likums*, (15.05.2008.)

Source: Developed by the OECD based on research and interviews with stakeholders.

Corruption Prevention and Combating Bureau (Korupcijas novēršanas un apkarošanas birojs, KNAB)

10. KNAB is an independent administration authority with the power to implement the functions prescribed in the Law on Corruption Prevention and Combatting Bureau. The Law prescribes the legal status and functioning of KNAB (Saeima, 2002[12]). These functions include controlling pre-election campaigns and controlling the fulfilment of financing regulations by political organisations and associations, but notably, pursuing both the prevention and combatting of corruption (Box 1.2). The Bureau is structured around three main fields (i) investigation, (ii) criminal intelligence and (iii) strategy and policy planning, all consisting of departments and divisions tasked with more specific mandates within the overarching field (KNAB, 2023[13]).

Box 1.2. Law on Corruption Prevention and Combatting Bureau

Chapter III: Competences of the Bureau

Section 7: Functions of the Bureau to Prevent Corruption

The law sets out a total of 16 responsibilities of KNAB regarding the prevention of corruption and CoI. Key functions include:

- Developing a corruption prevention and combating strategy, drawing up a national programme and co-ordinating co-operation in this regard to ensure implementation.
- Controlling the implementation of the IKNL and examining the declarations of public officials within its scope.
- Analysing laws and regulations and draft laws and regulations, making amendments thereto and submitting proposals for drafting new laws and regulations.
- Developing a methodology for corruption prevention and combating in the State and local government institutions and in the private sector.
- Educating the public around the law and ethics, informing them about corruption development tendencies and resolved cases of corruption as well as carrying out public opinion surveys and analysis.

Section 8: Functions of the Bureau in Combatting Corruption

- The law states that KNAB shall hold public officials administratively liable and apply sanctions for administrative violations in the field of corruption prevention in the cases provided by the law as well as carry out investigative and operational actions to discover criminal offences provided in the Criminal Law in the service of State authorities if they are related to corruption.

Source: (Saeima, 2002[12])

11. KNAB has both preventative and enforcement capacities without, however, a mandate for criminal prosecution. Preventative tasks consist of preparing the National Programme for Preventing and Combating Corruption, developing methodologies for preventing and combating corruption, as well as submitting proposals for drafting new laws and regulations. Insomuch as its enforcement capacity, KNAB conducts investigations and operational activities to detect criminal offences in activities of public officials along with monitoring compliance with the rules on the financing of political parties and, in accordance with the law, charges individuals with administrative offences (KNAB, 2023[13]). It should be noted that there is a shared enforcement competence between KNAB and the State Police, in accordance with section of 387 of the Criminal Procedure Law. For example, if a bribe is given to an employee of a public person institution, the case is investigated by the State Police, but if a bribe is given to a public official, then the case falls under KNAB's competence.

12. As it relates to the prevention and management of CoI, KNAB is tasked with the drafting and improvement of laws and regulations governing the prevention of CoI whilst monitoring the implementation of the law on Prevention of Conflict of Interest in Activities of Public Officials *(Par interešu konflikta novēršanu valsts amatpersonu darbībā, IKNL).* The Bureau also determines whether public officials are in a conflict of interest in the performance of their duties through verifying declarations submitted by public officials. KNAB may also use publicly available information, whistle-blower reports, anonymous reports, information submitted by other institutions, and other sources to detect CoI. According to Sections 30 (1) and (2) of the IKNL, in the case of detecting a violation of the IKNL, the Bureau requires public officials to

provide compensation to the State for the damage caused in addition to being capable of charging public officials with administrative liability and imposing administrative punishments for offence, in accordance with Section 32 of the IKNL.

13. As it comes to declarations, these are in principle verified by the State Revenue Service (*Valsts Ieņēmumu Dienests, SRS*) on the veracity of the information provided. The SRS forwards to KNAB cases of possible CoI, as well as cases with indications of bribery for an additional review. KNAB does not examine all declarations, but rather adopts a risk-based approach to selecting which to subject to in-depth manual inspections, according to criteria such as the seniority and function of the official, prior violations and media alerts (GRECO, 2017[14]). KNAB then examines the declarations to identify violations of the restrictions and prohibitions specified in the IKNL. It should also be noted that KNAB refers to SRS cases of illegally acquired assets from criminal offences unrelated to corruption.

14. At the time of this report, KNAB has 9 dedicated staff to detecting CoI of public officials and other violations of the IKNL, including by checking the information provided in public officials' declarations. In 2021, KNAB identified 256 violations of the IKNL, and imposed fines on 222 officials, which totalled over 40 000 EUR (European Commission, 2022[15]). In comparison, in 2022, KNAB initiated 248 administrative violation proceedings for incompliance with IKNL provisions, and imposed fines on 202 public officials amounting to a total of 36, 595 EUR (European Commission, 2023[16]). KNAB also provides training for public officials and the private sector on CoI and professional ethics, conducting 82 training courses for more than 10 000 participants in 2021 (European Commission, 2022[15]).

State Revenue Service (Valsts Ieņēmumu Dienests, SRS)

15. The SRS is a direct administrative authority under the supervision of the Minister of Finance, which oversees the tax related matters concerning the accounting of payments, collection of taxes, and other duties required by the State in the territory of the Republic of Latvia. In addition, the SRS performs such tasks in relation to the budget of the European Union, as well as implementing the customs policy and organising customs associated matters (SRS, 2023[17]).

16. With regards to CoI, pursuant to paragraphs in Sections 23, 26, 27 and 28 of the IKNL, the SRS has duties pertaining to preventing corruption. Specifically, it is mandated to verify the submitted list of declarants, to exercise control over the compliance for the completion and submission of declarations by officials, to ensure the registration, storage and publication of declarations by government officials and to impose administrative charges in cases of any violations found, in accordance with the Latvian Administrative Violations Law (SRS, 2023[17]). In addition, the SRS is authorised to submit proposals for draft amendments to the IKNL (via the Ministry of Finance), in particular relating to the declarations of public officials. These duties are exercised by the Specialised Tax Administration Department, which as of 1 April 2022 took over tax administration and enforcement of the Law on the Prevention of Conflict of Interest in Activities of Public Officials. The Specialised Tax Administration Department is established within the Tax Board under the direct authority of the Deputy Director General (SRS, 2022[18]). The Data Administration Department of the SRS carries out verification of declarations submitted in the Electronic Declaration System, while the Special Tax Administration Department of the SRS carries out verification of such declarations subject to Section 20, paragraph 5.[2] of the IKNL in the cases specified in Section 23, paragraph 2.[1] of the Law. Officials' declarations that are submitted electronically to the SRS are automatically verified in the Electronic Declaration System (EDS), which cross-checks their information with other SRS datasets, as well as traffic and land registries. In accordance with Sections 27 and 28 of the IKNL, the SRS carries out administrative verification controls regarding the timely and complete submission of declarations. In this context, the SRS may compare the information indicated in the declaration with the information at its disposal.

17. In the framework of these administrative verification controls, the Public Officials Data Administration Division (PODAD) of the SRS Tax Administration uses information on suspicious

transactions provided by the Financial Intelligence Unit (FIU), as well as information provided by notaries and others, in the Data Warehouse System (DWS) for the verification of returns from 2024 onwards (since access rights were granted). However, the SRS does not have the power to request or cross-reference banking information from foreign jurisdictions, where assets are often hidden. Regardless, the EDS checks that declarations are submitted in a timely manner and correctly list officials' income and assets. Where the system detects that a declaration indicates inconsistencies or discrepancies, it refers this declaration to one of 13 SRS officials for manual verification. In interviews conducted for this report, SRS officials noted that there is no handbook to guide their staff when conducting manual verification and in practice senior colleagues tend to provide informal guidance to less experienced team members.

18. If the manual verification performed by the SRS Data Administration Department of Public Officials, information of control and audit bodies (e.g. KNAB, Internal Security Bureau), submissions of legal or natural persons or information from other SRS Departments, reveal the non-submission of a declaration or the submission of false information, the SRS may initiate the administrative violation proceedings. In case the verification reveals false information regarding property or other income in large amount (e.g. the value at the time of committing the offence was fifty times higher than the minimum monthly wages determined in the Republic of Latvia), the case is referred for evaluation to the Tax and Customs Police Board of the SRS. In turn, the Tax and Customs Police Board may decide to initiate criminal proceedings regarding the submission of false information in the declaration of income, property, transactions or other material nature, in accordance with Section 219 of the Criminal Law (*Krimināllikums*). If the Tax and Customs Police Board refuses to initiate a criminal proceeding upon receiving a relevant case, public officials of the Data Administration Department of State Officials can still initiate administrative violation proceedings in accordance with the Administrative Liability Law.

19. According to Latvian authorities, in 2022, 21 531 out of 65 396 declarations were subject to manual verification by the SRS. In 2021, 302 instances of non-compliance with the IKNL where identified, including in the declarations of 2 Ministers, 3 Minister Parliamentarians (MPs), 3 prosecutors, 1 judge, numerous heads of department and one senior KNAB inspector. No criminal proceedings were initiated, with 98% of cases being resolved by the issuing of an administrative fine of less than 100 EUR (European Commission, 2022[19]). The SRS Tax and Customs Police Board is authorised to initiate criminal proceedings when a state official is found to have provided false information in their declaration regarding property or other income in significant amounts, as outlined in Section 219, Paragraph 2 of the Criminal Law. In 2020, eight cases relating to violations of the IKNL did lead to criminal proceedings.

20. Reportedly, the SRS has recently improved the EDS by including a warning system that alerts filers to discrepancies between data entered in declaration and data filed in previous declarations or other data available to the SRS (European Commission, 2022[19]). In accordance with Internal Regulation No. 8 of 01.02.2024, PODAD must verify not only the declared information but also consult the data included in other databases. For example, information declared on properties must be compared and verified with the information of the state information system "State Unified Computerised Land Register" under the jurisdiction of the Judicial Administration and the state information system "State Cadastre of Real Estate Information System" under the jurisdiction of the State Land Service, Tax Information System (NIS) and Data Warehouse System (DWS). Similarly, any information on shares and capital of the declarant must be compared with the information provided by the Register of Enterprises, Tax Information System (NIS), Data Warehouse System (DNS) and any changes in shares and capital shares held in enterprises (commercial companies), financial instruments (bonds, investment fund certificates, etc.) must be assessed, too.

21. The administrative verification controls performed by the SRS in the framework of the IKNL should not be confused with the controls performed by the SRS, which relate to criminal offences, such as tax offences and money laundering crimes. Indeed, according to Section 22 (2) of the Law on Taxes and Fees (*Par nodokļiem un nodevām,* 18.02.1995), the reporting entities under the Law on the Prevention of Money

Laundering and Terrorism and Proliferation Financing (AML/CFT/CFP Law, *Noziedzīgi iegūtu līdzekļu legalizācijas un terorisma un proliferācijas finansēšanas novēršanas likums,* 30.07.2008) have an obligation to immediately notify the SRS of a suspicious transaction of a person whose country of residence (registration) is the Republic of Latvia when they have detected a suspicious transaction related to the tax crimes. In this case, the reporting entity submits a suspicious transaction report to the SRS, using the Financial Intelligence Data Receipt and Analysis System of the Financial Intelligence Unit (FIU) of Latvia. Similarly and following the same procedure by use of the Financial Intelligence Data Receipt and Analysis System of the FIU, a sworn notary is considered a reporting entity and has an obligation to also submit a report to the SRS when an heir has, upon submitting a list of inheritance along with the evaluation of the property, indicated non-registrable movable property (including cash) the total value whereof exceeds 15,000 EUR in the composition of the entirety of the inheritance property. Notably, under Section 56 (2), of the Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing (*Latvijas Vēstnesis*, 116, 30.07.2008), the SRS may request the FIU to provide information necessary for the examination of the income declarations of State officials provided for in laws and regulations, as well as other declarations of natural persons provided for in laws, if there are reasoned suspicions that such persons have provided false information on their financial status or income. The SRS relies on information about suspicious transactions provided by the FIU, as well as data from notaries and other sources, which are stored in the Data Warehouse System (DWS). With granted access rights, this information is used for verifying returns from 2024 onwards within the Financial Intelligence Data Acquisition and Analysis System (goAML). Therefore, in practice, it has not been necessary to separately request information from the FIU under Article 56(2) of the Law on the Prevention of Money Laundering, Terrorism, and Proliferation Financing.

22. In addition, these administrative verification controls seem to be different from the SRS's competence to initiate criminal investigations for the offence of non-submission of declarations. As mentioned above, Section 219 of the Criminal Law (*Krimināllikums*), establishes criminal liability for any person intentionally submitting false information in a declaration of income, property or transactions, or other type of financial declaration. The criminal liability of Section 219 covers also the non-indication of the source of origin of the property or other income to be declared as indicated in the law, or providing false information regarding the source of origin of the property or other income, if such information has been requested by the relevant authorised state institution in accordance with procedures laid down in the law, and if false information is indicated regarding property or other income on a large scale (Section 219(3)). The SRS seems to have a competence to initiate and investigate criminal cases for indication of false information in declarations of public officials on a large scale, and having gathered sufficient evidence, transfer the case for prosecution to the PPO. Although asset and interest declarations of the IKNL are not per se financial declarations, they are considered as declarations about property status and be subject to criminal liability.

23. Finally, it should be noted that with regards to internal CoI regulations, the SRS has set up an Ethics Commission, in accordance with Regulations No. 2 of the SRS 12.01.2021 titled "Regulations of the Ethics Commission of the State Revenue Service" (State Revenue Service, 2022[20]). The Regulations prescribe the structure, tasks, duties, rights and work organisation of the Ethics Commission of the State Revenue Service. Overall, the SRS Ethics Commission has been established in order to evaluate compliance with the ethical norms of officials and employees of the SRS and to promote the observance of the values and basic ethical principles of the SRS in day-to-day work.

Managers of public authorities

24. The manager of each public authority has specified responsibilities under the IKNL, chiefly set out in Section 20. Depending on the type of the public authority, the responsible manager or head of the institution may be an elected or appointed official. For example, in a local government council, the head of the institution or responsible manager is the chairperson of the local council, who is an elected official.

Accordingly, in ministries, the head of the institution is the State Secretary, who is an appointed official. Managers of public authorities have a duty "*not to allow*" officials working in their institution "*to be in a conflict-of-interest situation*". Although this is a general principle and does not provide any implementing instructions in and of itself, other sections of the INKL, adjacent Cabinet Regulations and respective guidelines provide further recommendations, methodological assistance and examples to the institutions of a public person on the creation, improvement and maintenance of an internal control system for the prevention of CoI and corruption risks. Indeed, effective implementation relies on public officials knowing when and how to identify a potential or real conflict of interest. As conflicts of interest can never be fully eliminated, a balanced approach between public service obligations and public officials' private lives and interests enables those public officials to identify and avoid unacceptable forms of conflict of interest, and to inform the relevant body, whether it be a manager or a specialised unit or body, of their existence (OECD, 2020[11]).

25. With regards to public officials' declarations, the managers of institutions are required to submit a list of all public officials subject to disclosure obligations (Section 20(5) of the IKNL). The list is submitted electronically to the SRS through the Electronic Declaration System (EDS). This practice is in line with the approach followed in several OECD countries (e.g. Estonia – Article 13(5) of the Anti-Corruption Act, Greece – Article 17 of Law 5026/2023, Lithuania – Article 22(2) of Law on the Adjustment of Public and Private Interests). However, in Latvia, managers of institutions face challenges in determining the public officials subject to disclosure obligations due to the broad scope of the definition of public officials as established in the IKNL.

26. With regards to ancillary activities, the manager of an authority is therefore obliged to ascertain whether their staff are permitted to exercise ancillary activities, to receive warnings of CoI situations from their staff and respond by transferring the problematic functions and tasks to other officials (Saeima, 2002[5]). As it comes to ancillary activities, the head of the institution must decide whether the combination of multiple public offices is possible, as set out in Section 8.1.5 of the IKNL. Essentially, the manager must determine whether the combination of offices would generate a conflict or harm the performance of the official's primarily public duties.

27. Latvian authorities explain that this responsibility is assigned to the head of each authority because these individuals possess the requisite knowledge to know whether the combination of these functions would constitute a conflict, but they point out that heads of institutions can also consult with KNAB on such cases. Similarly, if a public official wishes to dispute the relevant decision of the manager, the decision can be appealed in accordance with the procedures laid down in the Administrative Procedure Law.

28. Finally, the manager must inform KNAB when, in their opinion, the IKNL has been violated by officials (Section 20(6) IKNL). Stakeholders interviewed for this review reported that more guidance is necessary for managers to assert and apply this criterion. While KNAB provides advice on an *ad hoc* basis and also organises educational and awareness raising events, it is unclear to what extent managers leverage these opportunities. Indeed, despite KNAB's efforts, stakeholders confirmed in interviews that there is still a lack of published guidelines and case law that could potentially dictate solutions based on previous cases. The system requires managers (Section 8.3.2 of Cabinet Regulation 630) to develop their own internal procedures for informing and dealing with potential conflicts of interest. However, as in other OECD countries, the system does rely on ethics offices or officers. In principle, the head of each institution in Latvia, must delegate their responsibility to manage conflict of interest to a designated ethics officer or unit that is also tasked with providing guidance and advice to staff.

Constitution Protection Bureau (Satversmes aizsardzības birojs, SAB)

29. The Constitution Protection Bureau, *Satversmes aizsardzības birojs*, (SAB) is the National Security Authority established by the 1994 Law on the Constitution Protection Bureau. SAB's main tasks include

intelligence, counterintelligence, the protection of state secrets, and the protection of NATO- and EU-classified information in public institutions (SAB, 2023[21]).

30. Concerning CoI regulations in Latvia, under Section 23 of the IKNL, officials working in state security authorities must submit their declarations to SAB in conformity with the requirements laid down in the law on official secrets. In this way, under Section 28 of the IKNL, SAB has an obligation to verify whether declarations from the specified officials contain information that is indicative of violation of IKNL restrictions, and they have the right to request and receive further information and documentation to this end (Saeima, 2002[5]).

31. Moreover, Section 21 of the IKNL states that if a public official working in a State security authority becomes aware of information regarding situations of a conflict of interest, they shall inform the Director of SAB. However, for potential cases of corruption, officials working in state security authorities shall inform either the head of their respective authority, KNAB, or the Prosecutor's office (Saeima, 2002[5]).

Office of the Prime Minister (Ministru prezidenta birojs)

32. The Prime Minister of Latvia determines the general direction of Government's activities and ensures coordinated and purposeful work of the Cabinet of Ministers. The Prime Minister, their deputies, assistants, and heads of the Offices of the Prime Minister all fall within the scope of the IKNL albeit under varying restrictions, prohibitions, and duties (GRECO, 2017[14]).

33. With regards to incompatibilities and outside activities, these are regulated by Sections 6 and 7 of the IKNL and the Constitution. The offices of the Prime Minister, his/her Deputy, minister and parliamentary secretary can be combined with up to two other positions in public administration (Section 6(2) of the IKNL), so long as this does not create a conflict of interest, hamper the performance of their duties or contradict ethical norms (GRECO, 2017[14]).

34. Corresponding with other public officials, the offices of the Prime Minister submit annual declarations. Additionally, under Section 25 of the IKNL, the Prime Minister and his/her Deputy, Ministers and Parliamentary Secretaries are to submit their declarations, upon terminating their duties, if they have performed duties for more than three months. These declarations are then to be submitted for a period of 24 months following termination of office (Saeima, 2002[5]). Furthermore, the Prime Minister has additional responsibilities concerning declarations. Under Section 23 of the IKNL, the head of SAB and KNAB submit their declarations directly to the Prime Minister for inspection (Saeima, 2002[5]). Regardless, in practice these declarations are submitted to the SRS and are publicly available.

Members of Parliament

35. Members of Parliament can have informal consultations regarding ethics and conflict of interest situations with both the Parliamentary Legal Office and the Speaker of the House. Like other public officials, members of Parliament are subject to the obligations, prohibitions and restrictions of the IKNL. However, the IKNL does not specify to whom members of the Parliament should submit ad-hoc CoI declarations.

Judicial Ethics Commission

36. In Latvia, the Judicial Ethics Commission is a judicial self-government institution, which provides opinions regarding the interpretation and possible violations of ethical norms. The Judicial Ethics Commission is composed of 10 members, including judges from district and regional courts, as well as members of the Supreme Court. These are elected for four years at the Judges' Conference. The functions of the Judicial Ethics Commission include, in particular:

- Evaluating a possible gross violation of the provisions of the Code of Judicial Ethics relating to administrative offences;
- Explaining and analysing the norms of the Code of Judicial Ethics and consulting judges on issues relating to judicial ethics;
- Compiling and preparing for publication conclusions and explanations on the interpretation and application of ethical norms, which are available on the website of the Commission;
- Discussing violations of ethical norms;
- Elaborating the norms of the Code of Judicial Ethics and submitting them for approval at the Judges' Conference.

37. Finally, the Judicial Ethics Commission may decide on the initiation of disciplinary cases of judges (Supreme Court Senate of Latvia, 2023[22]).

Latvia's legal framework for the prevention and management of conflict-of-interest situations

38. As shown below (Table 1.3), Latvia has a few legal instruments as it comes to regulating conflict of interest situations.

Table 1.3. Overview of the legislative framework in Latvia

Legislation	Date	Matter	Enforcement authority
Law on Prevention of Conflict of Interest in Activities of Public Officials, *Par interešu konflikta novēršanu valsts amatpersonu darbībā*, IKNL	30.04.2002	Focuses on safeguarding public interests in the actions of public officials, emphasising conflict of interest prevention and management, along with financial disclosures to ensure transparency and accountability.	Corruption Prevention and Combating Bureau, *Korupcijas novēršanas un apkarošanas birojs*, (KNAB) State Revenue Service, *Valsts ieņēmumu Dienests*, (SRS)
Public Procurement Law, *Publisko iepirkumu likums¸ Latvijas Vēstnesis*	15.12.2016	Promotes transparency in procurement processes, ensuring equal and fair treatment for economic operators and fostering healthy competition. Additionally governs the responsible use of funds by contracting authorities.	The Procurement Monitoring Bureau, *Iepirkumu uzraudzības birojs*
Criminal Law, *Krimināllikums*	17.06.1998	Addresses criminal liability, criminal offenses, and associated punishments.	The Court, *Tiesas*
Law on Remuneration of Officials and Employees of State and Local Government Authorities, *Valsts un pašvaldību institūciju amatpersonu un darbinieku atlīdzības likums*	01.12.2009	Regulates salaries, Benefits, Insurance and Leave for officials and employees of state and local government authorities	State Chancellery, *Valsts kanceleja*

Law on Corruption Prevention and Combating Bureau, *Korupcijas novēršanas un apkarošanas biroja likums*	18.04.2002	Pertains to the legal status and functioning of KNAB, outlining its role and responsibilities in prevention and combating of corruption.	The Courts, *Tiesas* and the Prosecutor General's Office, *Ģenerālprokuratūra*
Law on Local Government, *Pašvaldību likums, Latvijas Vēstnesis*	20.10.22	Sets out the competences of local government, establish the institutional framework for municipalities, and provide regulations governing local government councilors' activities and restrictions on the combination of posts.	The Head of the Council (decision-making body of the local administration elected by inhabitants), *Domes*

Law on Prevention of Conflict of Interest in Activities of Public Officials (IKNL)

The goal of the IKNL is to safeguard public interests in the actions of public officials by preventing influences brought about by personal and financial interests of a public official, as well as his/her relatives or counterparties to his/her actions. Additionally, the law aims to promote confidence in openness regarding public official's actions and their responsibility to the public (GRECO, 2017[14]). The IKNL covers three major issues (i) *restrictions and prohibitions*, (ii) *prevention and management of CoI and* (iii) *financial disclosures*. Section 1.5 defines a conflict of interest as "*a situation in which during the course of their duties, a public official takes an action or makes a decision that could affect their personal and financial interests or those of their relatives and business partners*" (Saeima, 2002[5]). Compared to many other OECD countries, Latvia's legal framework governing conflict of interest is deemed to perform relatively well, with the latest round of the European Public Accountability Mechanisms assessment from 2020 awarding the system 75 out of 100 points, second only to Slovenia (EuroPAM, 2020[23]). In practice too, GRECO has concluded that oversight by KNAB of officials' compliance with the restrictions and prohibitions set out in the IKNL is "overall efficient and sturdy" (GRECO, 2017[14]). Over the years, Latvia's conflict of interest regime has been "*criticised by practitioners, NGOs and independent experts alike as too rigid and formalistic*" (GRECO, 2012[24]). In response, KNAB and the Parliament have invested their efforts in transitioning from a centralised oversight of institutions to a more de-centralised approach, by increasing the responsibility of heads of public entities. This has been achieved through a series of implemented measures, including, for example, the adoption of mandatory internal control systems in accordance with Cabinet Regulations No. 630 and the authorisation of heads of public entities to obtain necessary information from public officials to avoid conflicts of interest, as stipulated in Section 21(4) of the IKNL. Regardless, the aforementioned criticism was again confirmed by Latvian stakeholders during the on-site visits that took place in March and September 2023 in preparation of this review. The following recommendations are based on the assessment of the legal framework and its implementation, as described by Latvian practitioners during the on-site visits. The recommendations are provided to Latvia in order to consider possible legal loopholes as well as to identify more flexible mechanisms for its implementation.

Clarifying the definitions and objectives of the IKNL

Latvia could consider revising its definition of conflict of interest to clarify the distinction between real, apparent and potential conflicts of interest

39. Stakeholders interviewed for this report stated that the current definition of conflict of interest does not provide a clear understanding. An important shortcoming of the definition provided in Section 1.5 of

the IKNL is that it focuses exclusively on actual conflicts of interest, without providing any definition on potential or perceived conflicts, nor is there a distinction on how to address each:

> *Article 1.5 of the IKNL defines a conflict of interest as a situation where, in performing duties of office, a public official must take a decision, participate in taking of a decision or perform other related activities which affect or may affect the personal or financial interests of this public official, his or her relatives or counterparties.*

40. The KNAB Guidelines on Avoiding Conflict of Interest do distinguish between real, apparent and potential conflicts of interest and provide definitions for each of these types (KNAB, 2008[25]). Nevertheless, the KNAB Guidelines note that the purpose of the IKNL *"is not to identify and prevent the consequences of a conflict of interest, but rather the possibility that such a situation could arise".* This creates some contradiction. On the one hand, the KNAB Guidelines by providing definitions for the different types of CoI seem to recognise that these are a dynamic situation and on the other hand, the Guidelines establish that CoI regulations are aiming at preventing only real CoI. The approach could be to introduce procedures for identifying, managing, and resolving all types of conflict-of-interest situations (OECD, 2003[3]). In so far, Latvia could consider aligning the definition provided in the law with the definitions included in the KNAB Guidelines by distinguishing between real, apparent and potential CoI. The definitional approach recommended by the OECD Guidelines for Managing CoI in the Public Service (Box 1.3) could also provide a good basis for this.

Box 1.3. The definitional approach of the OECD Guidelines

Recognising that countries have different historical, legal and public service traditions, which may impact on the way conflict-of-interest situations have been understood, the OECD Guidelines developed a definition of "conflict of interests" which is intended to be simple and practical, to assist effective identification and management of conflict situations:

A "conflict of interest" involves a conflict between the public duty and private interests of a public official, in which the public official's private-capacity interests could improperly influence the performance of their official duties and responsibilities.

On this basis, a "conflict of interest" involves a situation or relationship which can be current or may have occurred in the past. Defined in this way, "conflict of interest" has the same meaning as **actual conflict of interest**.

By contrast, **an apparent conflict of interest** exists where it appears that an official's private interests could improperly influence the performance of their duties, but this is not in fact the case.

A **potential conflict of interest** occurs where a public official holds a private interest which would constitute a conflict of interest if the relevant circumstances were to change in the future.

It is important to note that this definitional approach is necessary to be consistent with the policy position which recognises that conflicts of interest will arise and must be managed and resolved appropriately.

Source: **(OECD, 2003[3])**

41. Similar definitions can also be found in national legislations across OECD countries (Box 1.4):

Box 1.4. Definitions of conflict of interest in Australia, France, Poland and Slovenia

In **Australia,** according to the Values and Code of Conduct in Practice, employees must disclose any personal interests or relationships of their immediate family that are known to them, where they consider that these interests influence, or could be seen to influence, the decisions they are taking or the advice they are giving.

In **France**, the law of 11 October 2013 on transparency in public life defined the notion of conflict of interest as "a situation in which a private or public interest interferes with a public interest in such a way that it influences or appears to influence the independent, impartial and objective performance of a duty". Taking into account the fact that the concepts of "conflict of interest" and illegal taking of interest can be difficult to assess, the High Authority for transparency in public life published two comprehensive guides on conflicts of interests for public organisations and public officials. The guides present the High Authority's doctrine on the risks of conflict of interest, particularly between public interests, and offers a summary of the ethical procedures that mark the career of a public official or civil servant.

The Code of Administration Procedure in **Poland** covers both forms of conflicts; a situation of actual conflict of interest arises when an administrative employee has a family or personal relationship with an applicant. A perceived conflict exists where doubts concerning the objectivity of the employee exist.

In **Slovenia**, Article 37 of the Integrity and Prevention of Corruption Act of 2010 defines conflicts of interests as circumstances in which the private interest of an official person (a pecuniary or non-pecuniary benefit which is either to his/her advantage or to the advantage of his/her family members or other natural or legal persons with whom he/she maintains or has maintained personal, business or political relations) could influence or could appear to influence the impartial and objective performance of his/her public duties.

Source: (OECD, 2003[3]), Managing Conflict of Interest in the Public Service: OECD Guidelines and Country Experiences, OECD Publishing, Paris, additional research by the OECD Secretariat; HATVP, Guide déontologique, Contrôle et prévention des conflits d'intérêts, https://www.hatvp.fr/wordpress/wp-content/uploads/2021/02/HATVP_GuideDeontologie_2021_A-Imprimer.pdf; (APSC, 2021[26]).

42. Moreover, the definitions provided in the law, as well as the supporting materials, should make clear that apparent and potential conflicts do not necessarily constitute a misconduct and should not be treated as such. Finally, the KNAB guidelines were issued in 2008. Since then, the IKNL has undergone multiple revisions over the years and the conflicts of interests as a phenomenon have evolved. Therefore, Latvia could consider updating these guidelines to reflect recent challenges and developments in the legal framework.

Latvia could strengthen understanding of conflict of interest-related obligations by providing more clear definitions of CoI elements in the IKNL

43. Interviews conducted for this review reflected that the legislation's rationale and aims have been transformed over time and that a cumulation of amendments have increased the prescriptive and limited rationale of the law. Whereas the original envisaged text of the IKNL was aimed at providing guidance and preventive tools for addressing conflict of interest situations, the current text has become more detailed, with an established list of prohibitions, inabilities and exemptions, with the aim to prevent CoI situations from arising. The aforementioned list is used to identify whether a person has entered a real conflict of interest situation. The nature of the violation is assessed based on the aforementioned list, and in cases of minor violations, the responsible person is relieved of administrative liability. It has been noted that a

possible reason for this detailed approach may relate to Latvia's broader historic context, which led the country to a heavily prescriptive legal system. In particular, KNAB experts interviewed for the purpose of this report explained that Latvia's post-soviet institutional heritage required an enforcement-oriented approach towards conflicts of interest. In this context, IKNL regulations were developed on the basis of practical cases, which the Parliament deemed as impermissible conflict of interest situations.

44. The stakeholder consultations carried out in preparation of this report established that a key problem in the prevention and management of CoI is a lack of understanding of the main obligations established in the IKNL. Indeed, the law was described as "fragmented" and "not user-friendly". The reason for this is that the law focuses on establishing restrictions of activities, prohibitions and exemptions to prevent public officials from entering conflict of interest situations. Although Section 21 of the IKNL outlines the duties of public officials, it primarily takes a prescriptive approach by listing responsibilities, rather than encouraging public officials towards a more proactive and conscious approach to identifying and managing conflicts of interest. .

45. Clarity of the applicable legal framework and the relevant procedures is essential for public officials to understand how they should behave; what they should report if needed and to whom and when; and the sanctions they face if they do not comply with the standards and rules (OECD, 2020[11]). Notably, while the IKNL focuses on the prevention of conflicts of interest in the activities of public official, it does not provide an actual definition of private interests. Instead, it presents a list of restricted or prohibited activities, which seem to aim at capturing every possible case of conflict. Indeed, Latvian stakeholders reported that the law was developed on the basis of actual cases occurred over the years. As a result, the law is constantly amended in an effort to remain updated.

~~46.~~ In today's society, however, it is impossible to define or even restrict all activities of public officials as private interests and activities are an ever-evolving situation. Therefore, national legal frameworks should aim at providing public officials with the necessary understanding that will help them identify and manage possible CoI situations. Even though elements of private and public interests are already included in the IKNL, Latvia could consider fine-tuning its definition of private and public interest, so that public officials understand which behaviours are allowed and which should be avoided or even prohibited. On the basis of an obligation for public officials to avoid and manage conflicts of interest, the definition of private interest could then be accompanied by a list of fully prohibited activities and necessary restrictions, supported by examples of situations that could lead to conflicts of interest in a non- exhaustive list. Indeed, according to the OECD Recommendation of the Council on OECD Guidelines for Managing Conflict of Interest in the Public Service, national CoI policies and legal instruments should give a range of examples of private interests which could constitute conflict of interest situations covering financial and economic interests, debts and assets, affiliations with for-profit and non-profit organisations, affiliations with political, trade union or professional organisations, and other personal-capacity interests, undertakings and relationships (such as obligations to professional, community, ethnic, family, or religious groups in a personal or professional capacity, or relationships to people living in the same household) (OECD, 2003[1]).

Latvia could consider strengthening the IKNL's preventive rationale by stating prevention as one of the objectives of the law and establishing an obligation for public officials to avoid and manage conflicts of interest

47. According to Section 2 of the IKNL, the purpose of the law is to ensure that the actions of public officials are in the public interest by preventing the influence of a personal or financial interest of any public official, his or her relatives or counterparties on the actions of the public official. Moreover, the law aims to promote openness of the actions of the public officials and their public accountability, and also the public confidence in the actions of public officials. Notably, the prevention and management of conflicts of interest

is not currently state as objectives of the law, but prevention is only part of the scope of application of the law, as stated in Section 3 of the IKNL.

48. Latvia could consider amending Section 2 of the Law to include prevention and management of CoI as the main objectives of the law. This would allow the IKNL to strengthen the preventive elements of the law. While the current approach seems to touch upon the issue by mentioning the prioritization of the public interest in the actions of public officials, this could be stated explicitly. For example, in Lithuania, prevention is stated as the key objective of the Law on the Adjustment of Public and Private Interests in Article 1 of the Law. In particular:

> *The purpose of this law is to enable the disclosure of the private interests of persons working in the public service and the persons referred to in Article 4, Part 3 of this law (together hereinafter referred to as "declaring persons"), to ensure that public interests are prioritized when making decisions, and to prevent conflicts of interest from arising and spreading corruption.*

49. While these obligations are comprehensive, they are also quite detailed and structured by type of restriction. This creates a complex legal framework that is often described by public officials as a "patchwork" of individual cases of conflicting interests that were translated in legal obligations. At the same time, the obligation to prevent CoI is placed on managers of public institutions, who are required *"not to allow the public officials working in such authority to be in a conflict-of-interest situation"* (Section 20(1) IKNL). However, heads of institutions may only be held liable for situations pursuant to Section 21(3) of the IKNL, meaning if they fail to react in a situation where they have received information from a public official on them possibly being in CoI situation)..

50. A simpler and more streamlined approach would be recommended instead that would help ensure effective implementation of the law. According to international standards, it is important that legal texts containing conflict of interest norms are supported by guiding materials that clarify the proper implementation of the law and prevent possible confusions arising from different interpretations (UNODC, OECD and World Bank, 2020[27]). Indeed, no matter how comprehensive and robust a legal framework may be, it will eventually fail to fulfil its objectives if public officials do not fully understand their obligations. Such examples are already provided in the KNAB Guidelines on Avoiding Conflict of Interest (KNAB, 2008[25]), which, however, were issued in 2008 and in any case require an update in light of recent amendments of the IKNL and the evolution of CoI as a phenomenon since then.

Issues relating to conflict of interest derived from secondary employment

Effect of suspension and whether a conflict of interest arises during the suspensions period

51. In Latvia, if a public official is suspended from their duties under Labour Law, the provisions of the IKNL remain in effect, including the obligations and restrictions related to secondary employment, in accordance with Articles 6, 7 8 and 8. This is because a suspension does not alter the individual's status as a public official. In light of these restrictions, the Ombudsman of Latvia, in decision no. 2022-32-15A, 17AB, concluded that state officials, suspended or not, have sufficiently broad and proportionate opportunities to combine their official role with other positions or economic activities, provided they obtain the necessary institutional permissions. In fact, the legal limitations on combining positions, as outlined in the IKNL, are consistent with Article 106 of the Constitution of the Republic of Latvia, which guarantees the right to freely choose one's occupation. In furtherance of this position and KNAB's view, the IKNL provides reasonable opportunities for public officials, suspended or not, to combine their position with other roles, provided this does not create a conflict of interest, violate state ethical norms, or interfere with the official's primary responsibilities. Additionally, the law establishes a mechanism requiring written permission from the head of the institution in certain cases to undertake secondary employment. Therefore,

providing the head of the institution the role of determining the proportionality and reasoning to undertake a secondary employment. This process involves evaluating each case individually and existing restrictions on combining roles based on the official's position and responsibilities—the higher and more critical the role, the stricter the restrictions (Ombudsman of the Republic of Latvia, 2024[28]). Furthermore, the Ombudsman found that the restrictions do not infringe on a person's right to livelihood, as combining positions during suspension is permitted under the established legal framework. This decision does not necessitate any changes to the current legal framework, as it reaffirms that the current legal framework allows for a balance between maintaining public integrity and protecting individual rights (Ombudsman of the Republic of Latvia, 2024[28]).

High-risk positions that should not be combined with other employment

Across OECD countries, high-risk public office holders are typically subject to restrictions on engaging in outside activities, be it compensated or not (Table 1.4). High-risk positions are those positions that carry significant authority and responsibility, and any outside employment or activity could undermine public confidence in their impartiality, decision-making, or ability to serve the public interest. Hence, high-risk positions are generally subject to an absolute incompatibility clause. Such incompatibility provisions are often embedded in national constitutions, as they are also designed to safeguard the separation of powers. Across OECD countries, the following positions are usually considered as high risk and subject to absolute incompatibility with other positions and/ or activities: President, Head of Government, Members of Government, Judges, (see list below). Nevertheless, it is important to emphasize that defining "high-risk positions" and those that are not "high-risk" is the responsibility of each country, taking into account the organisation of its state institutions and the specific institutional vulnerabilities they face (Box 1.5).

Table 1.4. High-level at-risk positions that are subject to absolute prohibition of secondary employment in Germany, Latvia, Romania and Slovakia

Country	High risk position	Incompatibility (absolute or with exceptions)	Incompatibility clause
Germany	President	Absolute	Article 55 para 2 of the Constitution "The Federal President may not hold any other salaried office, engage in any trade or profession, or be a member of the management or the supervisory board of any enterprise oriented towards profit-making."
	Head of Government, Ministers	Absolute	Article 66 of the Constitution "The Federal Chancellor and the Federal Ministers may not hold any other salaried office, engage in any trade or profession, or be members of the management or, without the consent of the Bundestag, the supervisory board of any

			enterprise oriented towards profit-making.”
Romania	President	Absolute	Article 84 of the Constitution “(1) During his term of office, the President of Romania may not be a member of any political party, nor may he perform any other public or private office.”
	Members of Government	Exceptions foreseen	Article 105 of the Constitution “Incompatibilities (1) Membership of the Government shall be incompatible with the exercise of any other public office in authority, except for the office of a Deputy or Senator. Likewise, it shall be incompatible with the exercise of any office of professional representation paid by a trading organization. (2) Other incompatibilities shall be established by an organic law.”
Slovakia	President	Absolute	Art 103 (4) of the Constitution “If the President elect is a Member of Parliament, a member of the Government of the Slovak Republic, a judge, a public prosecutor, a member of the armed forces or the armed corps, or a member of the Supreme Audit Office of the Slovak Republic, he or she must resign from his previous office on the day of the election. (5) The President shall hold no other paid position in any profession, business or shall not be a member of executive board of a legal entity conducting entrepreneurial activity.”
	Judges of the Constitutional Court	Almost absolute, with exceptions for the administration of his or her own property, and scientific, pedagogical, literary or artistic activity are allowed	Article 137 of the Constitution “(2) The judges of the Constitutional Court shall hold their offices as a profession. The performance of this profession shall be incompatible with the post in another body of

			public authority, with public service relationship, with employment, with the similar labour relation, with an entrepreneurial activity, with membership in governing or control body of a legal person, which pursues an entrepreneurial activity or with another economic or gainful activities apart from the administration of his or her own property, and scientific, pedagogical, literary or artistic activity."
	Any other judges	Almost absolute, with exceptions for administration of his or her own property, scientific, pedagogical, literary or artistic activity, and with membership in the Judiciary Council	Article 145a of the Constitution: "(2) A judge shall perform the post as a profession. The discharge of a function of a judge is incompatible with a post in any other public authority body, with a state service relationship, with an employment, or with a similar labor relation, with an entrepreneurial activity, with a membership in the governing or control body of a legal person, which performs an entrepreneurial activity, or with other economic or gainful activity, other than the administration of his or her own property, scientific, pedagogical, literary or artistic activity, and with membership in the Judiciary Council of the Slovak Republic."

Note: This is a non-exhaustive list, both in terms of countries and legislative frameworks covered.

Box 1.5. Methodology on assessing restrictions on outside activities/secondary employment for public officials

I. Determining high-risk positions that are subject to absolute incompatibility

Depending on the institutional framework and specific vulnerabilities of each country, high-risk positions typically include, at a minimum:

- President
- Head of Government
- Members of Government
- Judges

II. Criteria for determining whether secondary employment may be permitted for those public officials that are not in "high-risk" positions

- Conflict of Interest Risk: Positions that create an actual or perceived conflict of interest with the official's public duties.
- Regulatory Oversight: Positions in organisations that the official is responsible for regulating or overseeing, which could compromise their impartiality.
- Time Commitment: Roles that would demand excessive time and prevent the official from fulfilling their public responsibilities.
- Financial Incentives: Positions that provide financial compensation or benefits that could influence the official's decision-making.

III. Typically prohibited for secondary employment:

- Private Sector Roles: Positions in companies that do business with public institutions (notably in the context public procurement contracts).
- Political Positions: Holding another elected office, such as being a member of the legislature while serving as a public official.
- Positions with Conflicting Interests: Any role that could influence or appear to influence the public official's decisions.

IV. Typically permitted for secondary employment:

- Academic Roles: Such as teaching or research positions in universities, provided they do not interfere with public duties. In some countries, regulations may prohibit compensation for such roles.
- Non-Profit Work: Roles in charitable organisations, especially if they align with public service goals.
- Administration of their land.

V. Acceptable number of additional employment/activities:

This varies by jurisdiction. Many places limit public officials to one additional position to avoid conflicts, while others may specify that officials can hold multiple roles as long as they are disclosed and approved.

Source: Desk-based research, comparative analysis.

52. As it comes to the role of managers, the scope and rigidity of regulations widely vary between countries and therefore the role managers may have in certain systems. On the one hand, countries with long administrative law tradition have formalised extensive and highly developed regulations listing cases of incompatibility, as it's the case in Latvia. On the other hand, most Scandinavian countries minimise regulation, and cases are treated on an individual basis and on their merits by managers. Norway, for instance, has no formal restriction other than that derived from the separation of powers: the prohibition on a civil servant being elected as a member of the Parliament, for example. Instead, the incompatibility is to be determined in individual cases and on the basis of legal and ethical principles. Neither does the Act of Civil Servants in Denmark specify incompatible activities. Similarly, to Norway, the principle of individual case is applied. Iceland also follows this Scandinavian model (OECD, 2003[3]). As it stands, the Latvian regime excels in providing managers with enough legal resources to make a final determination on individual cases.

Reporting obligations and scope of reporting officials under the IKNL (asset and interest declarations)

53. Under Sections 21 and 23 of the IKNL, public officials must report instances of conflict of interest of which they become aware, and submit declarations of their assets, income, and interests. Officials are obliged to inform their superiors without delay and in writing of any instances in which the duties of their office could affect their personal or financial interests or those of their relatives and business partners. Section 24 provides a full list of interests and assets that public officials must declare. This includes name, identity number, place of residence of themselves and relatives, office held, additional offices and work contracts, immovable property, commercial activities, shares and stocks held, financial instruments (debt, securities, investments etc), vehicles, cash savings, income obtained, transaction performed over a certain threshold, beneficial ownership data, loans, pension and insurance funds. The declaration form also includes a non-mandatory field that permits officials to declare other types of information that might lead to their personal or financial interests coming into conflict with their official duties (Saeima, 2002[5]).

54. Under Section 23 of the IKNL, declarations must be submitted electronically to the SRS within specified timelines when i) assuming office, ii) annually iii) upon leaving office, and iv) for certain senior political positions once a year for two years after leaving office (Saeima, 2002[5]). Senior political officials required to submit declarations for two years after leaving office include the President, MPs, the Prime Minister, Ministers, Parliamentary Secretaries and chairpersons of local government councils. A 2021 amendment to the IKNL now requires officials to update any incorrect information within one month of if the declaration contains false information (Saeima, 2002[5]). Most of the information contained in an official's declaration is published online by the SRS, while some sensitive information is not made public but can be accessed by relevant authorities (GRECO, 2017[14]). The non-confidential sections of officials' declaration are publicly available on the SRS website (https://www6.vid.gov.lv/VAD), and the database is searchable by name of the official.

Declaration of assets and interests in Latvia

55. Disclosure forms help create and maintain a sound integrity system. However, the content of these declarations as well as their objective can vary. Therefore, it is important to have clarity with respect to the objectives, the information requested and its subsequent use. When filling out a form as part of a conflict-of-interest management regime, an official has to take stock of his or her interests and the interests of his or her family members, evaluate these interests in light of the duties performed and decide whether any additional steps need to be taken to manage conflict of interest situations. This initial self-identification and

evaluation process can and should generate requests for assistance to those who provide advice and guidance on managing conflicts of interest and help supplement the advice and guidance provided based simply on a subsequent official review (OECD, 2005[29]).The IKNL sets out the types of information public officials must disclose under Section 24, which includes not only assets and income, but also additional positions held, liabilities, and commercial interests. In practice, the IKNL is intended to regulate both reporting obligations to detect illicit enrichment (assets) and prevent conflict of interest situations (interests). With regards to "secondary employment", public officials must disclose information on other employment as well as any other work (contracts or representing interests of another person) in which he/she performs or has obligations. Section 24 includes the disclosure of information concerning debts, loans and transactions performed over an amount of twenty (20) minimum monthly salaries, amongst others (Saeima, 2002[5]). Lastly, the declaration also covers commercial interests, encompassing information concerning whether the public official is an individual merchant, a shareholder, stockholder, or partner of a commercial company together with any stocks they own.

56. Financial disclosures are a tool mainly used to identify illicit enrichment by contrasting financial information and would rarely be used to prevent a CoI in a decision-making process. Disclosure systems focused on the prevention and identification of conflict of interest seek to determine whether a public official's decision has been compromised by a private interest. Such systems are indeed designed to inform and guide public officials on conflicts of interest rather than to detect improper conduct. The reason for this is that conflicts of interest refer to situations in which an individual is in a position to exploit an official capacity for personal benefit but has not necessarily done so. In short, the presence of a conflict of interest is not an indicator of improper conduct but rather a warning of its possibility. As a result, the operating principle of CoI systems is not to assume illegal behaviour on the part of public officials, but to support them in avoiding situations where a CoI can arise and ensure that officials are not open to accusations or suspicions of bias or corruption (World Bank, 2009[30]).

57. While CoI systems are in many ways similar to illicit enrichment-oriented systems, the focus and implementation should be different as a result of the different behaviours targeted and, in an effort, to make enforcement less adversarial. The similarities between the two systems have often led countries to combine elements of both models in one system. Hybrid systems can appear as quite effective but pose particular challenges as they are more complex to implement. Indeed, they require more comprehensive regulatory frameworks and high capacity of the entities responsible for monitoring and controls (World Bank, 2009[30]).

58. Latvia has implemented and greatly invested in a comprehensive hybrid system used by all stakeholders – heads of institutions, KNAB, the SRS, other law enforcement agencies to prevent CoI in the decision-making progress. Latvia has found this approach effective, practical and user-friendly, as all information is contained within the same system, simultaneously encompassing information on the full scope of assets and interests of a public official. Indeed, the declaration could also contain reporting obligation related to "secondary employment "and the possible conflicts of interest such employment may cause (Box 1.6).

Box 1.6. Categories of Asset Declaration Forms

Separate declarations for interests and assets: this approach recognises the different nature of such diverse goals as wealth monitoring and control of conflicts of interest. For example, in Portugal political office holders and some other categories of public officials submit both declarations of assets and declarations of interests where the latter are directed at the control of incompatibilities.

Tax declarations and declarations of interests: subject to the obligation to submit assets and/or income declarations to tax authorities. In addition, officials have the duty to submit separate declarations of interests to an ethics commission or anti-corruption agency. The principal rationale here is that public officials' assets and income are to be monitored in the same way and within the same system that covers other residents.

Different declarations for different categories of public officials: declarations are varied on the levels of seniority of officials. The rationale is that officials of higher rank must be subject to stricter requirements. An example of this approach is Ukraine, where declaration forms consist of six parts. All officials fill in Parts 1-3 where income and financial liabilities are declared. Only higher categories of officials fill in Parts 4-6 where data about assets are required.

Different declarations for public officials and for related persons: This option is relevant in systems that not only oblige public officials to state data in their declarations about their spouses and other related persons, but also request separate declarations from these related persons.

Source: (OECD, 2011[31])

59. Indeed, even if an asset declaration can serve to identify some potential conflict of interest, they cannot replace the management of conflict of interest, which needs to be done differently. Similarly, when it comes to "interest" declarations, organisations need to consider reviewing existing management arrangements on a regular basis, to assess whether they remain adequate in recognising potential risk areas and asses reporting obligations based on that. Changing practices and expectations, for example in areas such as additional employment and "outside" appointments, post-public employment, use of "inside" information, public contracts, new forms of gifts and other benefits, cryptocurrencies and different family and community expectations in a multicultural context, can generate new forms of risk (OECD, 2003[3]). Other OECD countries have explicitly separated reporting formats to allow for a better understanding of this differentiation (**Kļūda! Nav atrasts atsauces avots.** and **Kļūda! Nav atrasts atsauces avots.**).

Table 1.5. Content of the disclosure statement of assets and liabilities in France

Asset or Liability	Required information
Developed and undeveloped real estate	Description, Legal Status, Acquisition, Acquisition price, Market value
Shares in non-trading real estate companies	Name of the company, Asset, Liability, Capital held, Real right on shares of the company, Total market value of shares held, real estate held by the non-trading real estate company
Other unlisted securities	Name of the company, real right, stake in the share capital, market value
Securities	Description, Market Value
Life Insurance	Description, Redemption Value
Bank accounts and savings products	Description, Balance
Miscellaneous moveable property valued at €10,000 or more	Description, Market Value
Motorised vehicles	Description, Acquisition, Current market value
Goodwill or clients, missions and functions held	Description, Assets, Liability, Taxable income, For goodwills- market value

Hard cash and other property, including corporate current accounts valued at €10,000, or stock options valued above €10,000	Description, Market value
Movable property, real estate, and accounts held in foreign countries	Description, Market value
Liabilities, including fiscal debts	Identification and address of the lending institution or creditor, nature, date and purpose of the debt, full amount of the loan, monthly repayments, amount still owed
Revenue collected from the start of the term of office or start of the duties	Year, declarant, spouse-partner
Major events affecting the composition of the declarant's assets	Nature and date of events, consequences of the events on the composition of the declarant's assets
Miscellaneous	

Source: **(HATVP, 2018[32])**

Table 1.6. Content of the disclosure statement of interests and statement of interests and activities in France

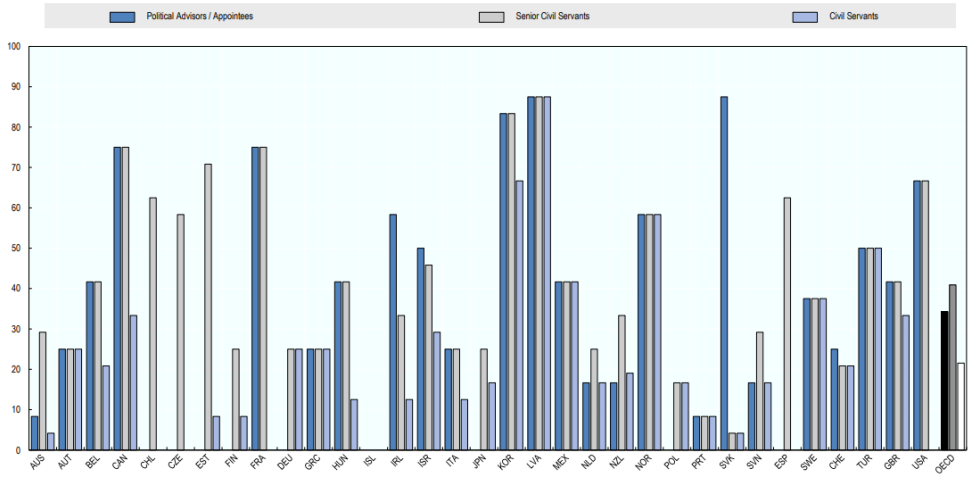
Interest or Activity	Required Information:
Business activities, resulting in compensation or incentives, that were being performed as of the election or nomination date or during the past five years	Description, Compensation or incentive received
Consulting activities being performed as of the election or nomination date and during the past five years	Description, Compensation or incentive received
Holdings in the management bodies of public or private organizations or of a company, as of the election or nomination date or during the past five years	Description, Compensation or incentive received
Direct financial holdings in the capital of a company as of the election or nomination date	Description
Business activities performed as of the election or nomination date by the spouse, civil partner or common-law partner	Name of spouse, civil partner or common-law partner, business activity
Volunteer positions that are likely to generate a conflict of interest	Identity of the structure or legal person, description of activities and responsibilities
Duties and elected offices being performed as of the election or nomination date	Description, Compensation, allowances and incentives received
Parliamentary staff members	Name, description of other professional activities performed

Source: (HATVP, 2018[32])

Scope of declarants

60. Most OECD countries apply a risk-based approach to their financial and interest disclosure system. A risk-based approach is needed in the definition of declarants, as in so far as it does not require all public officials to declare their assets, but only obliges those that face a higher risk of corruption due to their position. The narrowed-down, focused approach is in line with the majority of OECD countries (Figure 1.2). Given their decision-making powers, elected officials and senior civil servants are more influential and are at greater risk for capture or corruption. The focus on elected officials and senior public officials in all branches makes the best use of the capacities of the responsible bodies by not overburdening with the sheer quantity of declarations without appropriate human and financial resources (OECD, 2019[33]).

Figure 1.2. Majority of OECD countries have stricter disclosure requirements for senior decision-makers



Source: (OECD, 2019[33])

61. Section 4 of the IKNL establishes the scope of public officials subject to the conflict-of-interest provisions of the IKNL.. The legislation lists all the positions of public officials (both by position and function) that are covered by the law. Consequently, the IKNL covers members of the executive, legislative and judicial branches at national, regional, and municipal level, and encompasses both elected and unelected officials. The law also covers members of supervisory and management boards of state-owned enterprises and other organisations that perform public functions. In total, this amounts to approximately 60 000 people (GRECO, 2017[14]) who are covered by reporting obligations. While the management and prevention of conflict-of-interest situations should cover the broadest possible scope, asset reporting obligations (asset declarations) could be limited to those that face a higher risk of corruption due to their position. All public officials should be subject to general provisions requiring them to avoid, declare and mitigate conflict of interest, such as those set out under Section 11 IKNL.

62. In Latvia the number of declarants is overall lower than the number of public officials when it comes to asset and interest declarations submitted on a regular basis, in accordance with Section 23 of the IKNL. In particular, Section 4 para (2) of the law open the definition of a public official and consequently, the definition of a declarant, to any person, who, in fulfilling official duties in authorities of a public person issues an administrative act. This results both to a lack of legal certainty and also to challenges for managers of institutions to determine the list of declarants (Section 20 (5) of IKNL), as it is quite difficult to monitor all persons that have the right to issue administrative acts on behalf of the institution. In practice, this means that if a person participates in an administrative act only once, then he/she is subject to the obligation to declare. This issue is being mitigated by virtue of submitting lists of public officials and therein such individuals can removed from the list. Moreover, SRS officials responsible for the verification of the declarations reported that it is challenging for them to evaluate whether these persons are considered public officials or not, as the legal provision is open to interpretation. In light of the challenges identifying public officials under Section 4(2), the SRS has published additional information material for heads of institutions (State Revenue Service, 2022[34]).

63. In 2017, international organisations expressed concern that KNAB's method of selecting declarations for in-depth inspections was not based on clear and objective criteria established in law and that, in practice, not all senior officials underwent regular detailed checks (GRECO, 2017[14]). In fact, civil society organisations have stated that KNAB checks the declarations of approximately 1 000 officials a year, though only around 150 of these are subject to in-depth verification, which typically follow complaints

or media reports (Transparency International Latvia, 2020[35]). In 2021 KNAB reviewed 787 out of 55 729 declarations of public officials in order to examine cases on violations of conflict-of-interest situations within the scope of its competence and in 2022 this number amounted to 807 out of 55 729 declarations. According to data from the OECD Public Integrity Indicators (OECD PII), in 2022, 65 125 declarations of public officials were submitted in the EDS. The Payment Administration Information System ('MAIS') has automatically verified 43 649 declarations of public officials. Specialists of the Division for the Administration of State Officials' Data have manually verified 21 476 declarations of public officials (OECD, 2024[4]).

64. The submitted declarations of public officials are all verified through automated controls and complemented by manual control by the SRS, where necessary and in accordance with pre-determined criteria. The manual verification amounts to a minimum 2% of the total amount of annual declarations submitted in the respective year, while these manual verifications focus on the submission and completion rate of the declarations. In practice, as explained in other sections of this report, the SRS selects a ration of the submitted declarations which are further checked on the following aspects:

- Whether the declaration was submitted;
- Whether the content of the declaration was complete;
- Whether the information declared was accurate.

65. Latvia has engaged in a few actions to amend this issue. Since 2017, both SRS and KNAB have introduced new guidelines and regulations to ascertain which officials' declarations to scrutinise, and these guidelines prioritise senior officials (GRECO, 2023[36]). As not all PTEF asset declarations are verified in-depth by the SRS, the 2020-22 KNAB strategy committed to establishing internal procedures for carrying out this verification on an annual basis.

66. In any case, Latvia, following other OECD examples, could assess several avenues to reduce the number of declarants and prioritise high-risk officials (see Box 1.7), similar to how Section 4(3) of the IKNL currently already allows some public officials (that perform functions of a public official outside of institutions of a public person) to not submit declarations (see Section 23(5)). This is while considering that in Latvia the position of a public official not only by their post, but also based on their functions (Section 4(2) of IKNL) and is assessed by the head of institution on an ad-hoc basis depending on the function of each declarant. For example, one avenue could be assessing whether all public officials under Section 4(1) of the IKNL would be befitting of the status of a public official based on their functions or whether all public officials of a specific system like Ministry of the Interior need to be included (e.g., firemen, prison wardens). A similar approach can be found in Estonia's Anti-Corruption Act (Box 1.8).

67. Based on the approach outlined above, Latvia could consider reducing the scope of declarants by broadening the category of public officials exempt from declaration under Section 23(5) of the IKNL. For instance, it may not be necessary for all professional soldiers in the National Armed Forces to declare their assets and interests, as is currently required, but rather only for higher-ranking military personnel.

Box 1.7. Identifying high-risk positions in asset and interest declaration systems

The selection of public official categories required to declare their assets and interests will depend on the system's purpose and focus, whether aimed at combating illicit enrichment and/or addressing conflicts of interest.

There is no universal list of high-risk positions, as they should be determined based on the country's national corruption risk assessment, ensuring that the system effectively targets individuals most vulnerable to corruption risks.

Two common methods for determining which officials need to declare are:

- identifying their duties and functions, focusing on those with higher risk due to their involvement in sectors more susceptible to corruption, e.g.:
  - infrastructure
  - licensing
  - contracting
  - tax
  - market regulation
  - customs
  - senior executives in SOEs

- ranking officials based on their roles in government, particularly their levels of discretion and authority. Based on this the following positions would usually be considered:
  - senior executive office holders: ministers, deputy ministers, commissioners, agency heads
  - legislators
  - judges, senior prosecutors and senior judiciary officials
  - civil servants (senior level) who exercise budgetary discretion or authority (direct and indirect)

The minimum list of high-risk positions can reflect the definition of domestic politically exposed persons used in the anti-money laundering legislation.

For example, Slovenia took a broad approach to ensuring the submission of asset and interest disclosures forms. All appointed and elected public officials including high-ranking civil servants, managers in public agencies, institutes and state-owned enterprises, persons responsible for public procurement, civil servants of the National Review Commission for Reviewing Public Procurement Award Procedures, and, under certain conditions, citizens of Slovenia who hold office in European Union institutions, other European Union bodies and other international institutions.

Portugal on the other side has introduced an asset declaration system focusing on high-level elected and appointed officials, including the President, ministers, members of Parliament, high-level judges, public prosecutors, mayors, general directors of administration and members of the board of directors of state-owned companies.

Source: V1804202_E.pdf (unodc.org); Asset declaration in the Republic of Slovenia Natalija Ulaga; 2024-LEG-alteracao--RegimeExercicioFuncoesTitularesCargosPoliticosAltosCargosPublicos.en.pdf; Law on Integrity and Prevention of Corruption (ZIntPK) (PISRS).

Box 1.8. The definition of public officials in Estonia's Anti-Corruption Act

§ 2. Officials and official positions

(1) For the purposes of this Act, an official is a natural person who holds an official position for the performance of public duties regardless of whether he or she performs the duties imposed on him or her permanently or temporarily, for a charge or without charge, while in service or engaged in a liberal profession or under a contract, by election or appointment.

(2) An official position means the rights and obligations arising from the legislation, transactions or work organisation of an agency upon performance of public duties:

1. to make a decision, including to participate in the making thereof or substantive directing thereof. A decision is the decision making directed at the creation, alteration or extinguishment of the rights and obligation of other persons, including agencies performing public duties, which regulates individual cases or an unlimited number of cases, including legislative acts, administrative acts within the meaning of the Administrative Procedure Act, judicial decisions, and internal legal instruments of an agency;
2. to perform an act, including to participate in it or substantive directing thereof. An act is an activity which causes legal and unavoidable factual consequences to other persons, including agencies performing public duties, and which is not the making of a decision. An act may also mean performing of any other procedural acts, omissions or delays.

(3) An obligation to make a disposition is not deemed to be the competence to make decisions in the case the person has no right to determine the circumstances of the transaction. An obligation to perform an act is not deemed to be the competence to perform acts in the case the person has no right to determine the circumstances affecting the consequences of the act.

To ensure a uniform understanding by the heads of institutions and employees of the determination of public officials obliged to submit declarations, the SRS has developed guidelines that should be regularly updated and educated on. The guidelines include various explanations of what constitutes making a decision and performing an act, based on the various functions of public officials in various fields. For example:

Issue administrative acts:

- Board members who approve the institution's regulations
- Qualification exam committee members
- Social workers who decide on the status of a low-income or indigent person
- Medical commission members who issue certificates
- Route permit issuance, suspension, or cancellation
- Issuing licenses
- Issuing construction permits

Perform supervisory, control, investigative, or penal functions over persons who are not directly or indirectly subordinate

- Members of guardianship councils
- Construction inspectors

- Environmental commission members
- Members of municipal administrative committees
- Persons supervising street trading locations
- Procurement specialists
- Project managers who oversee project implementation
- Experts conducting internal audits, investigating disciplinary matters, and performing control and oversight activities related to corruption risk reduction and conflict of interest prevention
- Committee members, experts, and employees overseeing compliance with the legality, efficiency, and correctness of compensation fund usage.

Source: Data drawn from (OECD, 2024[4])

68. Finally, while recognising the differences in scale between countries can make it inherently challenging to compare models, the IKNL could consider the issue of local officials and the functions they perform. The IKNL currently applies to a limited group of municipal public officials who hold real decision-making authority, including mayors, executive directors and their deputies, councillors, and individuals responsible for allocating public funds. Another example of a way to identify relevant officials at the local level is the French model (**Kļūda! Nav atrasts atsauces avots.**) where only municipal officials required to disclose assets and interests are mayors of municipalities with more than 20 000 inhabitants, deputy mayors of municipalities with more than 100 000 inhabitants and who have been granted signing authority by the mayor. In any case, reducing the number of officials required to submit declarations and putting prevention at the heart of the law could also help address the concerns reported by some public officials in Latvia, particularly at the level of local government, that the current regime is burdensome and "*disproportionate*" to the level of risk. In line with the approach presented above, high-level local government officials with significant decision-making powers should still fall under the scope of reporting obligations.

Box 1.9. Reporting subjects in France

In France the High Authority for Transparency in Public Life (HATVP) is in charge of managing conflicts of interests in the public sector and monitoring revolving doors for around 17 000 public officials.

This includes: Members of the Government, Members of the Parliament ; Candidates to the presidential election; French Members of the European Parliament ; Mayors of towns of 20 000 inhabitants and more, deputy mayors of municipalities with above 100 000 inhabitants, directors/deputy-directors and heads of office of local authorities with more than 20 000 inhabitants; high-ranking civil servants nominated by the Council of Ministers (ambassadors, prefects, central administration directors, Secretaries general.); Advisors to the President of the Republic; Members of the Supreme Council of the Judiciary; Members of independent administrative authorities; Heads of publicly owned entities; Chairpersons of sports federations.

A sample disclosure statement of assets and liabilities can be found here and a sample disclosure statement of interests and statement of interests and activities can be found here.

Source: (HATVP, 2018[32]) (HATVP, 2023[37])

Scope of information to be declared

69. Latvia could consider establishing in legislation the obligation to assess and amend reporting obligations based on risks reviews conducted over time. This may include the requirement of alerting their superiors when commercial entities in which they or their relatives have financial interests are awarded contracts, public resources, credits or concessions as the result of an open competition or declaring information about their “creative”, “professional” and “economic” activities, which can both result in potential conflicts of interest.

70. Similarly, Latvia could consider identifying and including new trends, such as cryptocurrencies and beneficial ownership in their annual reviews. As it comes to the latter, beneficial ownership could be explicitly defined and included as one of the forms of possession of assets for politically exposed persons. It could also include shares owned by a trust or trust agreement the public official has set up as well as other assets where the public officials have effective control. With regards to beneficial ownership, interviews with stakeholders indicated that very few people actually declare the relevant cases, which is mainly due to a lack of knowledge and understanding. In so far, further guidance is required to familiarise public officials with the concept of beneficial ownership.

71. As it comes to virtual assets, including cryptocurrencies, these pose risks such as being exploited for money laundering or concealing illicit gains of public officials (Box 1.10). To effectively prevent conflicts of interest and detect illicit wealth accumulation, it is crucial that asset and interest declaration systems comprehensively address this evolving asset class. However, there is no consistent approach across OECD countries regarding the treatment of virtual assets in such declarations. In many countries, regulations do not explicitly reference virtual assets as a distinct asset category. However, since declaration systems aim to identify unjustified wealth and illicit enrichment and prevent conflicts of interest, it is reasonable to interpret broad categories like 'other assets' in declaration forms as also encompassing virtual assets. In Latvia, although the IKNL does not explicitly classify virtual assets as a separate category, they may fall under the broader category of “other information that they wish to include in the declaration” (Section 24 (1) 13 IKNL). However, this allows for only voluntary disclosure of virtual assets. Latvia could consider adopting more explicit and mandatory disclosure requirements with regards to virtual assets and treat them like traditional assets (Basel Institute of Governance, 2021[38]). For instance, the United States

has introduced a distinct subsection for virtual assets and non-fungible tokens (NFTs) in its disclosure forms (U.S. Office of Government Ethics, 2024[39]). Like Latvia, other countries, too, require public officials to declare their virtual asset (see Box 1.11) including in sections entitled “other intangible assets” or in a more specific way in a section defined as “virtual currency”.

Box 1.10. Tracing cryptocurrencies

Cryptocurrency Typologies

Cryptocurrencies are an emerging risk area when it comes to asset tracing because the technology is evolving quickly while regulations have been slow to adapt. Criminal organisations have exploited this dissymmetry and are increasingly using cryptocurrencies to launder proceeds of crime.

Cryptocurrencies are characterised by digital tokens that rely on cryptography (for chaining together digital signatures of token transfers), peer-to-peer networking and decentralisation. Unlike currencies issued by national or supranational central banks, cryptocurrencies are not regulated by a central financial institution. Instead, they rely on peer-to-peer networking whereby a network of people voluntarily pools their computing power to manage and clear transactions, which are verified and recorded permanently and irreversibly in a shared public ledger. A similar peer-to-peer networking approach is used to issue new tokens through a process called “mining”. Those individuals lending their computing power are rewarded for this by receiving tokens of their own and revenue from transaction fees.

The public ledger used to record transactions is built on blockchain technology, which records, timestamps, and verifies transactions. A blockchain stores transaction information in small batches called blocks, which are linked together sequentially to provide a record of all transactions ever conducted with a given cryptocurrency. Each block also has a unique signature that cannot be tampered with. Because the ledger is stored in a decentralised manner, the continued integrity of the ledger is ensured through the fact that all nodes in the network verify each new transaction against all other nodes before adding the new block that corresponds to the new transaction to their chain.

Cryptocurrencies—particularly Bitcoin—are increasingly accepted as a medium of exchange but remain largely unregulated in most countries. This lack of regulation coupled with the lack of a central authority issuing the cryptocurrencies themselves makes them a useful tool for money laundering. In the event that criminals use these cryptocurrencies to launder the proceeds of crime, there is no company or executive that can be served a court order to reveal ownership information, no central account that can be seized or confiscated, and no main server that can be shut down. This makes it difficult—but not impossible—for authorities to recover assets that have been converted into cryptocurrency.

Investigative techniques for tracing cryptocurrency

While many characteristics of cryptocurrencies make them difficult to trace and seize, their blockchains can also be useful as an investigative tool. Unlike transactions carried out in cash, any transaction carried out via a blockchain leaves an irrevocable trace. These blockchains record all transactions with unique identifiers, and this information is stored on thousands of computers and servers where anyone—including law enforcement—can access and analyse them.

The key step is to link a specific transaction to the identity of a specific person, and from there it becomes easy to use the blockchain to track financial flows related to that transaction. While a baseline understanding of how to read the information contained in a given block is required (especially given the multi-input, multi-output nature of cryptocurrency transactions), investigators can use classic investigative techniques like subpoenaing exchanges themselves for user information, surveillance, and forensic analysis of an individual’s IT devices to establish a link between illicit activity and transactions performed in the blockchain. Many jurisdictions have established registration and know your customer (KYC) requirements for cryptocurrency exchanges, which can facilitate the subpoenaing of information. Law enforcement can then use this information in combination with surveillance and other methods to

seize an individual's computer and use the information on it to follow the transaction history, establish a link to criminal activity, and bring the evidence to the judge.

Seizing cryptocurrency

Once a criminal link has been established, the judge can issue a warrant to seize cryptocurrency as they could for any other type of asset. The assets are then transferred into a virtual "wallet", which can take the form of either a cold wallet or a hot wallet. A cold wallet involves storing cryptocurrency on a physical medium that is not connected to the internet or a mobile phone. This method is more secure as it is not susceptible to hacking. On the other hand, a hot wallet involves storing the cryptocurrency on a mobile app or remote service, which is more user-friendly but less secure. Authorities can therefore store the cryptocurrency in one of these two forms of wallets—preferably a cold one—until forfeiture orders provide for the liquidation of the asset and the cryptocurrency is sold. Most established cryptocurrencies can be exchanged into other currencies, thereby allowing the state to recover the value of the illegally acquired asset.

Source: (Basel Institute of Governance, 2021[38])

Box 1.11. Countries where cryptocurrencies are subject to declaration obligations

Numerous countries worldwide recognise cryptocurrencies as assets that are subject to declaration requirements, including:

- **Canada:** Cryptocurrencies qualify as a so-called controlled asset, whose value could be directly or indirectly affected by government decisions or policy.
- **France:** Cryptocurrencies qualify as so-called intangible movable property.
- **Slovenia:** Cryptocurrencies, like other forms of property, are considered part of an individual's assets and must be declared if their value surpasses the reporting threshold.
- **South Korea**: Cryptocurrencies qualify as property.
- **Ukraine:** Cryptocurrencies have not a legal form yet but are included in the declaration obligations of public officials. in the declaration form they are supposed to be declared under "intangible Assets".

Source:https://nazk.gov.ua/en/full-declaration-inspections-it-will-not-be-possible-to-hide-assets-or-artificially-increase-them-in-cryptocurrency/; Cryptoactifs, cryptomonnaies : comment s'y retrouver ? | Ministère de l'Économie, des Finances et de l'Industrie et Ministère chargé du Budget et des Comptes publics; South Korea enforces crypto asset disclosure for public officials in 2024; Cryptos-Report-Compendium-2022.pdf ; Categories of Assets; Sistemsko-pojasnilo-o-nadzoru-nad-premozenjskim-stanjem.pdf.

72. Finally, Latvia could also consider strengthening the categories and reviews of the asset declaration by the SRS, as well as the guidance provided to increase public officials' understanding of their obligations in this area. Further guidance should be drafted providing examples of how a public official might beneficially own assets or certain rights (OECD, 2019[33]).

73. Some steps have been taken already, for example, the SRS has already collaborated with KNAB, the FIU in Latvia, and the Prosecutor's Office, as well as four credit institutions within a public-private partnership platform to develop supporting materials on indicators, typologies and case-studies of tax

crimes and related money laundering and indicators of corruption and/or money laundering (Box 1.12). A similar approach could be followed involving relevant institutions (including the State Enterprise Register, KNAB, FIU) to develop relevant materials for the verification of asset declarations and in particular beneficially owned assets. These could include indicators, typologies and case studies, as presented in the example below.

Box 1.12. Guidance materials developed through intergovernmental cooperation and public private partnerships in Latvia

Indicators, typologies and case studies of tax crimes and related money laundering

In August 2023 the FIU Latvia in cooperation with the SRS and the Prosecutors' Office, as well as four credit institutions within the public – private partnership platform "Cooperation Coordination Group" drafted materials on indicators, typologies and case studies of tax crimes and related money laundering. The aim of these materials is to raise awareness of reporting entities about tax crimes and related money laundering, as well as increasing their capacities to identify such cases, but also to raise awareness among the SRS and prosecutors and to provide guidance on detection of suspicious transactions related to tax crimes or related money laundering.

Indicators of corruption and case analysis

By use of the same public – private partnership mechanism, experts from KNAB, the Prosecutors' Office and four banks developed a guidance document titled "*Indicators of corruption and case analysis*". The document summarises indicators of corruption and/or money laundering, including indicators relating to unexplained income or unreasonable wealth of a public official, which can be found in officials' declarations, such as:

- Payments are received in accounts of natural or LP with no visible connection to public officials, but known to be controlled by such or related to them, and payments are sent by a shell company. The additional information provided with regard to such payments refers to "loans", "investment purposes", "for consultancy services", "purchase of real estate property", etc.
- A person related to a public official opens an account and purchases real estate property or luxury goods with the express intent of bypassing customer due diligence process screening. - Inconsistencies between the funds declared by a public official and those established during the customer due diligence process.
- A public official has purchased virtual currency assets in a total amount higher than the declared income. - Transactions that take place in accounts of public officials involving cash deposits or withdrawals in unusual frequency and amounts.
- Public officials increase their standard of living after the expiration of the officials' mandate without any legally justifiable reasons (submitted documents on the origin of funds cause suspicions regarding their authenticity or otherwise do not comply to the information specified in the public officials' declarations).

Moreover, the document presents and analyses case studies compiled by foreign countries and international organisations, as well as cases of corruption detected in Latvia. The material is a valuable tool in the further work of credit institutions and law enforcement authorities in detecting and investigating corruption.

Source: Information provided by Latvian stakeholders and (Public Prosecutor's Office, FIU, KNAB, 2021[40])

Verification and cross-referencing of information

74. As it comes to the powers assigned to the SRS to review this declaration, and in accordance with Principle 11 of the G20 High Level Principles for Preventing and Managing Conflict of Interest in the Public Sector, countries must support each other to the extent that domestic law and institutional mandates permit

(G20, 2018[41]). This could include mutual support to identify and exchange information on public officials' interests abroad, as well as providing each other with information on relevant data sources that could be consulted by foreign authorities to gather information on officials' interests abroad.

75. Stakeholders interviewed for this report were of the view that SRS officials have difficulties in accessing data on income and assets held by Latvian officials abroad (OECD, 2023[42]). Therefore, Latvia could consider joining the International Treaty on Exchange of Data for the Verification of Asset Declarations (Box 1.13), as well as identifying key and high-risk jurisdictions with which to establish a direct bilateral means of exchanging information concerning asset declarations and interests.

Box 1.13. International Treaty on Exchange of Data for the Verification of Asset Declarations

One of the main challenges integrity bodies face in verifying asset declarations is the limited access to foreign databases. As such, integrity bodies are typically restricted to consulting domestic sources of information, and unless foreign data is publicly available, they cannot access it directly. Since verifying asset declarations is a preventive measure and not part of criminal proceedings, integrity bodies cannot rely on mutual legal assistance mechanisms, which are otherwise available in criminal investigations. This limited access often creates a loophole, allowing corrupt officials to conceal illicitly acquired wealth in foreign jurisdictions.

The International Treaty on Exchange of Data for the Verification of Asset Declarations aims to prevent and combat corruption by facilitating direct administrative exchange of information on asset declarations. It enables anti-corruption bodies to formally communicate and enhance verification of declarations. Notably, under the Treaty, countries can exchange a wide range of data, including information from public and private databases concerning taxes and duties, bank accounts, financial securities, corporate entities, fiduciary funds, real estate, vehicles, intellectual property rights, and other movable assets.

The Treaty aligns with the UNCAC and States Parties Resolution 6/4, which encourage multilateral agreements on corruption-related matters. In doing so, the Treaty copies the best practice of the international "Convention on Mutual Administrative Assistance in Tax Matters", developed jointly by the Council of Europe and the OECD in 1988.

The Treaty was developed under the Southeast Europe Regional Programme on Strengthening the Capacity of Anti-corruption Authorities and Civil Society, implemented by RAI and UNODC, with support from the Austrian Development Agency. The first signatories of the Treaty in March 2021 were Montenegro, North Macedonia, and Serbia. Since then, Moldova has also become signatory. The Treaty is open to all countries worldwide. The European Union has a privileged status and can join the Treaty as a block, which could facilitate data exchange with 27 countries.

Source: (Regional Anti-Corruption Initiative, 2019[43]); Regional Data Exchange on Asset Disclosure and Conflict of Interest – Regional Anti-Corruption Initiative (rai-see.org); CAC-COSP-2021-CRP.7_E.pdf (unodc.org); International data exchange for asset declarations: guest blog | UNCAC Coalition

Issues related to data protection in asset declarations (recommendations and examples on the legal consequences of data protection rules in asset declarations)

76. Whilst greater transparency of disclosure systems can encourage reporting and facilitate the detection of corruption, access of the general public to disclosed data may conflict with individuals' rights to privacy and data protection. Therefore, data collection and disclosure systems typically intend to carefully balance these competing interests (Box 1.14). A publicly open register can more likely create a disproportionate interference with the right to privacy because it allows unlimited access by the public. Therefore, countries may opt for a selective disclosure of data where only certain subsets of data are released to protect individual privacy. In line with this practice, Latvia's SRS makes only non-confidential sections of officials' declarations publicly available on its website (https://www6.vid.gov.lv/VAD).

Box 1.14. Disclosure of data in Canada, the United Kingdom, and the United States

Canada

As of 22 January 2024, federal businesses incorporated under the Canada Business Corporations Act (CBCA) are required to file information on individuals with significant control (ISC). The database balances transparency with privacy protections, notably by publicly disclosing only the information that is necessary and proportional to meet the objectives of the new requirements. The following information is made available to the public: Full legal name, date the individual became an ISC and ceased to be an ISC, as applicable, description of the ISC's significant control, residential address (will be made public if no address for service is provided), address for service (if one is provided).

United Kingdom

Unlike the EU, the United Kingdom (UK) still allows unrestricted public access to the UK's beneficial ownership register of UK companies (Register of Persons with Significant Control - PSC register). Almost all information about PSCs is available to the public, including their, name, full date of birth and nationality. The PSC's home address is not available to the public unless it's also used as their service address. Moreover, PSCs can apply for protection under the Companies House protection regime. This regime aims to protect PSCs, or individuals living with PSCs, from public disclosure if such disclosure may put them at serious risk of violence or intimidation.

United States

In January 2021, US Congress enacted the Corporate Transparency Act (CTA). Effective as of January 2024, the CTA now requires corporations, limited liability companies, and similar business entities, to file beneficial ownership information (BOI) reports with the Financial Crimes Enforcement Network (FinCEN). This is the first time that corporate ownership reporting requirements are being introduced in the USA. The purpose of the CTA BOI registry is to combat economic crime, particularly money laundering, terrorist financing, corruption, and tax fraud.

BOI reporting requirements apply domestically and to foreign companies registered to do business in the United States. Each reporting company will need to file information on the reporting company and information on all beneficial owners.

The US BOI database will not be accessible to the public. Access is limited to permitted parties, including law enforcement, federal regulators, and financial institutions, for certain permitted purposes. This excludes certain key stakeholders, like private civil victims of fraud seeking to recover

misappropriated assets. It is therefore likely that, given that the US register is not publicly available, it will only provide limited support to civil actions against fraud and related misconduct.

Source: Find and update company information - GOV.UK (company-information.service.gov.uk).; People with significant control in the UK: Frequently asked questions | Vistra.; Apply to protect your details (company-information.service.gov.uk).

Box 1.15. Balancing Data Disclosure and Privacy Rights

Access to accurate and comprehensive data on assets and interests can strengthen transparency and public trust. However, this access may conflict with individuals' rights to privacy and data protection. Therefore, data collection and disclosure systems should carefully balance these competing interests by adhering to the following two principles:

- **Necessity Principle**: Governments should limit data collection and disclosure to what is strictly necessary to achieve public interest goals, such as preventing conflicts of interest, fighting corruption etc.
- **Proportionality Principle**: Authorities must ensure that the benefits of transparency are proportionate to the privacy impact, minimising unnecessary data exposure and ensuring the public interest justifies the interference with privacy rights.

In applying these principles to data disclosure, several key questions must be addressed:

- Why is the data being published? (What is the purpose of the disclosure system?)
- What kind of data is made public? (Is all collected data disclosed, or only a specific subset?)
- How is the data published? (Is it accessible to the general public, or restricted to certain individuals and entities?)

Source: Author's elaboration based on comparative analysis.

77. In addition to the general considerations (box above), evolving EU jurisprudence highlights the importance of evaluating whether disclosed data complies with the EU General Data Protection Regulation (GDPR). For instance, decision C-184/20 - Vyriausioji Tarnybinės Etikos Komisija of the Court of Justice of the European Union (CJEU) showcased the issue of asset declarations and privacy involving Lithuania, where the court held, that the mandatory disclosure, in the context of an online transparency publication, of certain personal information violated personal data protection rules. The court determined that publishing the name of a public official's spouse violated the GDPR, as it could indirectly reveal sensitive information classified as "sensitive data" under GDPR Article 9 (Box 1.16). This ruling suggests that authorities disclosing any data must assess whether their databases could reveal sensitive information under Article 9 GDPR, potentially requiring them to modify the publicly disclosed data. As a consequence, Lithuania's Chief Official Ethics Commission now only discloses the workplace of a declarant's spouse instead of their name[1]. Similarly, in France, asset and interest declarations of government officials are public but do not include the names of spouses, partners, or family members.

[1] https://pinreg.vtek.lt/app/deklaraciju-paieska.

Box 1.16. Public disclosure of asset and interest declarations in compliance with EU GDPR

Lithuania Case Before the Court of Justice of the EU

In 2022, the Court of Justice of the European Union (CJEU) interpreted the General Data Protection Regulation (GDPR) more expansively in case C-184/20, involving a Lithuanian regulation that required the Chief Official Ethics Commission to disclose public officials' private interests. A Lithuanian official contested the online publication of his private interests, which included his spouse's name. The CJEU ruled that such publication of data indeed violated the GDPR, as it could indirectly reveal sensitive data about the declarant's sexual orientation, classified under GDPR Article 9. The processing of such data is generally prohibited unless specific conditions (Article 9 para 2) are met, such as obtaining explicit consent from the data subject or demonstrating that the processing is necessary for substantial public interest.

Concerns raised by the Ombudsman of the Republic of Latvia concerning current disclosure practice

In line with the above-described case", Latvia's Ombudsman has also raised in inspection case No. 2023-16-5D that there are other types of information that could be recognised as sensitive under Article 9 GDPR, but which, according to current regulations, are publicly disclosed. The Ombudsman notably raised concern with regards to is the public disclosure of **disability pension**, as this could fall under the category of health data, which sensitive data under Article 9 of GDPR.

Similarly, the Ombudsman pointed out that the disclosure of **survivor's pension and old-age pension**, too, could reveal extremely sensitive and private life-related circumstances (death of a family member, reaching a certain age), which the civil servant may not wish for the whole society and also potential employers to know. Similarly, compensation for damages in criminal proceedings is to be declared under "income" in declarations and could be considered as private data.

In light of the GDPR and in accordance with the Ombudsman's concerns, Latvia should reassess the scope of publicly disclosed asset and interest declarations data, considering the removal of certain elements from public disclosure to ensure compliance with GDPR regulations.

The following personal data is considered 'sensitive' under GDPR and is subject to specific processing conditions:

- personal data revealing racial or ethnic origin, political opinions, religious or philosophical beliefs;
- trade-union membership;
- genetic data, biometric data processed solely to identify a human being;
- health-related data;
- data concerning a person's sex life or sexual orientation.

Source: What personal data is considered sensitive? - European Commission; Directive (EU) 2024/1640; CURIA - Documents (europa.eu); Highest EU Court Restricts Access to Individuals' Special Categories of Data Under EU Data Protection Law | HKTDC Research; Special Category Data by Inference: CJEU significantly expands the scope of Article 9 GDPR | Inside Privacy;

78. Personal data protection can also be achieved by limiting access to data to specific entities and individuals, as highlighted by the latest EU Anti-Money Laundering Directive (AMLD 6) (Box 1.17).

Box 1.17. Balancing Privacy Rights and Public Interest in Combating Corruption in the Public Sector – Jurisprudence and Legislation at the EU level

The Court of Justice of the European Union (CJEU) judgment of 22 November 2022 in joined Cases C-37/20 and C-601/20 (WM and Sovim SA v Luxembourg Business Registers) determined that unrestricted public access to the beneficial ownership information of companies violates the fundamental right to privacy, as enshrined in Articles 7 and 8 of the EU Charter of Fundamental Rights. The CJEU found that the interference with those rights was inappropriately limited because, in broad terms, the information disclosed enables a potentially unlimited number of persons, without demonstrating a legitimate interest, to find out about the *material and financial situation of a beneficial owner*, and freely to retain and disseminate the relevant data. In response to the ruling, several countries suspended public access to their registers (e.g. Germany, Ireland, Austria), including for journalists and civil society, and subsequently revised the access criteria to require a demonstrated legitimate interest.

EU Anti-Money Laundering Directive (AMLD 6)

As a consequence, EU regulations concerning beneficial ownership registers are undergoing significant changes, particularly with the introduction of the Sixth Anti-Money Laundering Directive (AMLD 6) (Directive (EU) 2024/1640) of 31 May 2024. Under AMLD 6, authorities—including the European Public Prosecutor's Office (EPPO) and the European Anti-Fraud Office (OLAF)—will be granted immediate, unrestricted, direct, and free access to beneficial ownership registers across the Union. Beyond these, access is restricted to those who can demonstrate a legitimate interest.

Building on the reasoning of the CJEU case, the AMLD 6 now presumes that legitimate interest exists for certain categories of the public, such as non-governmental organizations, academics, and investigative journalists. Moreover, member states can grant access to beneficial ownership information on a case-by-case basis to any person demonstrating a “legitimate interest”. EU Member States are required to transpose the AMLD 6 provisions on access to beneficial ownership by 10 July 2025. For example, France has already introduced the legitimate interest criteria in July 2024. Latvia’s beneficial ownership data is until now publicly available.

Source: Act-no.-2013-907-dated-11-October-2013-on-transparency-in-public-life.pdf (hatvp.fr); EU court ruling on beneficial ownership registers:... - Transparency.org; Life of the company -New conditions for access to the Registry of beneficial owners as at 31 July! | Entreprendre.Service-Public.fr.

Interest declarations as a tool to improve transparency

79. As previously stated, the review of declarations conducted by the SRS is done mainly to identify changes in patrimony and possible discrepancies between years and between sources. However, an interest declaration should be used more broadly. In particular, an interest declaration could be useful to prevent the occurrence of potential conflicts of interest the official may face during his time in office. Although KNAB and the SRS provide different methodological support, information and explanation, and ad-hoc preventive consultations, more could be done to provide standardised preventive advice and more centralised guidance.

80. The aforementioned approach may help avoid confusion and inconsistent application of the law. For example, KNAB reports that local government deputies continue to breach the provisions of the IKNL, particularly restrictions on using public property, combining offices and conducting commercial activity (Transparency International Latvia, 2022[44])) while local level officials report that cases brought by KNAB only cover "easy" and "irrelevant" cases. As other stakeholders, they also report that there is currently a lack of standardised guidance provided at the central level to harmonise the implementation of the law. Therefore, KNAB could consider enhancing its preventive actions by monitoring the typologies of CoI violations and the advice it provides an ad hoc basis to develop standardised guidance materials that can support both central and local government officials.

81. Similarly, a great tool for prevention is transparency. In Latvia, most of the information submitted by public officials in their declarations is publicly available (State Revenue Service[45]). Nonetheless, the European Commission has called for "more transparency" with regard to this data (European Commission, 2022[15]). Civil society organisations are of the view that the shortcomings regarding the SRS database include the fact that it is not possible to download declarations in machine-readable format and that users are not able to "explore, sort, filter and compare declarations across different years, public institutions and categories of public officials" (Transparency International Latvia, 2020[35]). In this regard, Principle 13 of the 2017 OECD Recommendation on Public Integrity calls on adherents to encourage transparency and stakeholders' engagement in order to promote accountability and the public interest, in particular through promoting transparency and open government, including access to information and open data, as well as through encouraging a society that includes "watchdog" organisations, citizens groups, labour unions and independent media. In this context, government data should be published proactively in open and machine-readable formats (OECD, 2017[2]). Similarly, the International Open Data Charter recommends that government data are open by default, timely and comprehensive, comparable and interoperable, for improved governance and citizen engagement and for inclusive development and innovation (Open Data Charter, 2015[46]).

82. By implementing a similar user friendly and accessible platform for declarations akin to the PINREG platform in Lithuania (Box 1.18), users of the SRS database will be able to access summaries of public official's declarations with more ease.

Box 1.18. The Register of Private Interests (PINREG) in Lithuania

The Register of Private Interests (PINREG) was established in accordance with Article 19 of the Law on the Adjustment of Public and Private Interests (LAPPI) and it became operational on 4 January 2021. Its launch has simplified the declaration of interests and made it easier to monitor the control over alignment of interests.

According to the Chief Official Ethics Commission in Lithuania, declaring private interests is one of the most effective means of preventing conflicts of interest in the public service: by declaring private interests, a person demonstrates that he or she is responsible, complies with the rules, acts in a transparent manner, represents a transparent institution, and increases public trust in the public sector as a whole. Until recently, the declaration of private interests was a lengthy process, the declaration form was long and complicated, covering several sheets, and the declaring persons often had various questions about what to declare and how they should file the declaration correctly. Since January 2021, the process has become much easier and quicker, taking only a few minutes. The PINREG sends notifications to individuals in many cases about the need to submit, complete or revise their declaration.

The development of PINREG is the result of cooperation with partners from the Centre of Registers, SODRA, managers of the registers for civil servants, internal affairs officers, health and information professionals' practice licences and other registers. It includes sub-platforms for declarants, managers

of public institutions responsible for determining the lists of positions for which incumbents must declare their private interests, as well as to members of the Ethics Commission of the Municipal Council. The platform also provides the applicable legislation and relevant explanations for each of these categories.

The PINREG is intended not only for declaring persons, but also for the public, whose members can easily search on the relevant sub-platform for declarations of private interests, as well as for the management of the institution or its authorised representatives, who can create in the PINREG the structure of the institution, the list of declaring employees. Data can be easily analysed through search filters (including among others the name and surname of the declarant, workplace, nature of primary duties, nature of other duties), thus ensuring public control and accountability.

The data contained in the PINREG remain published until the person loses the status of the declaring person. The data of the objects of the register are stored in the register for 3 years from the date of loss of the status of the declaring person. At the end of the period of storage of the data of the Register, the data of the Register are destroyed, with the exception of those that are transferred to the state archive in accordance with the procedure established by legal acts. Indeed, the PINREG has simplified and accelerated the process of removing published data regarding persons who had ceased to hold the relevant positions. Finally, institutions and bodies, the Bank of Lithuania and other legal entities must provide the PINREG with the data (including personal data and special categories of personal data) necessary to achieve the purposes set out in law, in accordance with the procedure established by the provisions of the PINREG.

Source: (COEC, 2021[47]); (PINREG, 2024[48])

Latvia has a strong system of liabilities and penalties when public officials egregiously fail to properly report assets and interests

83. After international organisations recommended Latvia to increase administrative penalties for failing to comply with reporting obligations, these appear to have been increased to 700 EUR (GRECO, 2017[14]). Recovery of losses to the state is mandatory regardless of whether officials are subject to administrative or criminal liability for violating the IKNL. In terms of administrative penalties, Sections 32 and 33 of the IKNL assign the power to sanction to both the SRS and KNAB (Saeima, 2020[49]). The SRS can impose fines on officials for the non-submission of assets and interest declarations, non-compliance with reporting requirements and the provision of false information. The SRS can also impose heavier fines and bar an official from public office up to two years if the false information is particularly egregious or the official continues to fail to submit their declaration after a warning (Saeima, 2020[49]). Where substantial illicit enrichment is identified, the SRS is expected to forward the case to the Financial Police (GRECO, 2017[14]). Under illicit enrichment measures, officials who intentionally provide false information in their declaration can be fined or receive custodial or community sentences. Overall, as with other OECD countries (Box 1.19), Latvia has a good framework for in place as it comes to its sanctioning system, as it allows for warnings to provide the correct or missing information and distinguishes between possible “mistakes” and egregious violations.

Box 1.19. Sanctions in France and Canada

France

In France the High Authority for Transparency in Public Life recommends solutions (such as declarations, recusal or abandonment of private interest. If the official does not take steps to remedy the situation, the High Authority can issue injunctions against the public official (except members of Parliament) requiring them to cease the activity causing the conflict of interest. The injunction can be made public, and it can be transferred to a prosecutor.

Any non-compliance with HATVP is a criminal offence liable to a year of imprisonment and a EUR 15,000 fine. If public officials do not submit the required declarations or neglect to declare a substantial portion of their assets or interests or provide an untruthful valuation of their assets is punishable by three years of imprisonment and a EUR 45,000 fine. Additional penalties like the prohibition on exercising public functions may also be issued.

Canada

In Canada the Commissioner can impose fines of up to CAD 500 for failure to meet certain reporting deadlines. The Commissioner may order a public office holder to take any compliance measure that the Commissioner determines is necessary. The Commissioner can also investigate any public office holder or former public office holder at the request of a Member of the Senate or House of Commons, or on the Commissioner's own initiative if there is reason to believe that the person has contravened a specific section of the Act.

In some countries like Spain, sanctions can apply also to the private sector. In particular, companies who have hired any person breaching the prohibition to provide services in private companies directly related to the competences of the position held during the two-year cooling-off period are debarred from public procurement processes.

Source: (HATVP, 2023[50]), (HATVP, 2013[51]), (UNODC, OECD and World Bank, 2020[27])

84. KNAB is responsible for imposing fines and barring officials for up to two years for violations of the "prohibitions and restrictions" specified in the IKNL, or for failure to prevent a conflict of interest by a manager, in accordance with Sections 32 and 33 of the IKNL (Saeima, 2002[5]). Under Section 325 of Latvian Criminal Law, officials who violate the restrictions and prohibitions and cause substantial harm to the State can be imprisoned for up to three years. For senior officials this can be up to 5 years and be accompanied by a ruling barring them for holding public office for up to five years (Saeima, 1998[52]). Stakeholders interviewed for this review report that KNAB may refer cases to the Public Prosecutor's Office for the initiation of the criminal prosecution, in cases that substantial harm has been caused and the administrative investigation conducted by KNAB reveals signs of a criminal offence.

85. Latvian authorities report that KNAB has recently concluded that for minor infractions of the IKNL responsibility to impose disciplinary and administrative sanctions should be assigned to individual public authorities rather than central bodies like KNAB or the SRS (KNAB, 2023[53]). The rationale of this regulation is to abolish administrative liability for low-impact violations and instead authorise heads of institutions to impose sanctions in disciplinary proceedings. While this may help increase ownership of conflict of interest matters at the organisational level and reduce the burden on central agencies, it may also lead to a fragmentation of the system and inconsistencies in the way the law is applied in different public authorities.

86. If a situation of conflict of interest has materialised and profits have been ill-gained from the situation, a crime has already been committed and this should be up to criminal authorities to investigate.

Rightly so, where there is evidence of criminal offences, KNAB is required to transfer the case to the Prosecutor's Office (GRECO, 2017[14]) since the IKNL does not itself specify criminal sanctions, which are provided for in Chapter 24 of Criminal Law. The manager's liability is triggered only when they fail to report conflicts of interest identified through the ad-hoc reporting process or if they refuse to take appropriate action, such as recusing the implicated public official. KNAB reports that such liability has only been applied twice in the past five years (and in neither of these cases KNAB held the elected officials responsible).

Publication of sanctions and data protection of sanctions

87. A separate issue, distinct from the broader question of public access to public officials' declarations, concerns determining the extent of information to be published about public officials who have committed violations. For instance, in Ukraine, information about individuals found guilty of corruption or corruption-related offenses is recorded in the Unified State Register of Persons Who Committed Corruption or Corruption-Related Offenses (Offender Register) (Protocol UA, n.d.[54]). This lifelong entry includes details such as the individual's name, place of employment, offense committed, and the type of punishment or sanction imposed. The "naming and shaming" of officials through such a public registry can effectively raise awareness of corruption issues and increase transparency (U4 Anti-Corruption Resource Centre, Transparency International, 2024[55]). However, being listed in such public register carries significant consequences, including reputational risks and potential career obstacles, both in public service and the private sector, which raises questions about the necessity and proportionality of such measures.

88. In Latvia, under Section 31 (Informing the Public of Violations) of IKNL, the Corruption Prevention and Combating Bureau and the State Revenue Service, in accordance with their respective competences as defined by the IKNL and other applicable regulations, are required to inform the public about violations of this IKNL detected in the activities of public officials by posting the relevant information on the respective authority's website.[2] According to the IKNL, any such information on violations made public shall not be published for more than one year after the violation is declared. This is a reasonable measure that, in contrast to Ukraine's model (where violation entries remain online for life), aims to strike a balance between enhancing transparency and respecting individual rights. In Slovenia, for example, not only the length of the publication is limited, but also the decision whether violations of the Integrity and Prevention of Corruption Act (ZIntPK) are made public is at the discretion of the Commission for the Prevention of Corruption (Slovenia Commission for the Prevention of Corruption, 2024[56]; Slovenia Corruption Prevention Commission, 2024[57]). Latvia could consider adopting a similar approach, where the decision on which violation cases to publish is made by KNAB. This would help prioritize violations committed by senior officials, who are subject to greater public interest and scrutiny, thus ensuring better alignment with the principles of necessity and proportionality (see Box 1.15 above).

89. If the sanction for non-compliance with the IKNL is of a criminal nature, it is crucial to consider Article 10 of the General Data Protection Regulation (GDPR), which stipulates that personal data related to criminal convictions, offenses, or related security measures can only be processed under the control of an official authority or when authorized by Union or Member State law, provided that the processing is carried out in a lawful, fair, and transparent manner. In Case C-439/19, Latvijas Republikas Saeima, the Court of Justice emphasized that personal data processed under Article 10 of the GDPR must meet higher standards of protection. The Court noted that such data could expose individuals to stigma and social disapproval, potentially having a significant impact on their private and professional lives. The Court further observed that the risk of stigmatisation alone constitutes a severe interference with

[2] See https://www.vid.gov.lv/lv/media/1417/download?attachment.

the data subject's rights under Articles 7 and 8 of the Charter, thereby justifying stricter thresholds for processing (GDPRHub, 2024[58]).

Pre- and post-employment restrictions in the IKNL

Latvia could consider enacting specific legislation for the identification and management of conflict-of-interest situations in pre and post public employment

90. One of the main risks and concerns related to conflict of interest is the revolving door. Movements between the private and public sectors result in many positive outcomes, notably the transfer of knowledge and experience. However, it can also be a vehicle for undue or unfair advantage to influence government policies if not properly regulated. The European Commission's 2021 Rule of Law report pointed out that provisions "regulating revolving doors and post-employment restrictions remains limited" (European Commission, 2021[59]) while the 2022 report found that no progress had been made in this area (European Commission, 2022[15]). The 2023 report references Section 6 (4) of the recently adopted Law on Transparency of Interest Representation that entered into force on 1 January 2023, which foresees a two-year cooling off period (European Commission, 2023[60]). According to this, during their term of office, a representative of a public authority is prohibited from being a representative of interests in cases in which they are involved as a representative of the public authority. This limitation also applies for two years after the end of the term of office for cases in which the person has been involved as a representative of public authority.

91. On the one hand, Latvia currently has limited measures to regulate the interaction with the private sector in pre-public employment situations. These can be found in Section 11(3) of IKNL which stipulates that a public officials may not issue administrative acts against their previous private sector employer. This restriction applies for 2 years after leaving office in the private sector. Moreover, Section 15(2).5 of the same law, states that public officials may not represent institutions of public persons in court in proceedings involving private persons from which the public official has received within the last 3 years any material benefits or held office. This is not a pre-employment restriction per se as it does not prevent persons with conflicting private interests due to their previous employment from entering public office. Similarly, public officials are also prohibited from regulating, supervising, or agreeing contracts with companies in which they have personal or financial interests for a period of two years (Saeima, 2002[5]).

92. Overall, Latvia could consider strengthening pre-employment regulations applying to public authorities, including political officials, through practical measures, such as interest disclosure prior to or upon entry into functions, ethical guidance for upcoming officials or pre-screening integrity checks. Latvia could look towards the measures implemented in this area in other OECD member countries, such as France, the USA and Australia (Box 1.20).

Box 1.20. Pre-employment measures in France, USA and Australia

France

The public service transformation Act of 6 August 2019 also tasks the High Authority for Transparency in Public Life (*Haute Autorité pour la transparence de la vie publique*, HATVP) with a "prenomination" control for certain high-ranking positions. A preventive control is carried out before an appointment to one of the following positions, if an individual has held positions in the private sector in the three years prior to the appointment:

- Director of a central administration and head of a public entity whose appointment is subject to a decree by the Council of Ministers.
- Director-general of services of regions, departments or municipalities of more than 40 000 inhabitants and public establishments of inter-municipal co-operation with their own tax system with more than 40 000 inhabitants.
- Director of a public hospital with a budget of more than EUR 200 million.
- Member of a ministerial cabinet.
- Collaborator of the President of the Republic.

The HATVP controls the pre-employment process by measuring the risk that the future public-sector employee might be pursued in application of article 432-12 of the Penal Code. To avoid any conflict of interests, the HATVP can formulate biding reservation of actions. Indeed, for a period of three years, after the termination of their functions in their previous employment, these public officials may not be entrusted with the supervision or control of a private undertaking, with concluding contracts of any kind with a private undertaking or with giving an opinion on such contracts. They are also not permitted to propose decisions on the operations of a private undertaking or to formulate opinions on such decisions. They must not receive advice from or acquire any capital in such an enterprise. Any breach of this provision is punished by Article 432-12 of the Penal Code by five years' imprisonment and a fine of EUR 500 000.Overall, this control is aimed to protect both the employee and the administration of any accusations and participate to enhance trust. Moreover, the amount of the fine can be doubled by the amount of the product of the infraction.

United States

Once they have taken office, former private-sector employees and lobbyists are subject to a one-year cooling-off period in situations where their former employer is a party or represents a party in a particular government matter. This restriction applies not only to former private-sector employees and lobbyists, but also to any executive branch employee who has, in the past year, served as an officer, director, trustee, general partner, agent, attorney, consultant, contractor or employee of an individual, organisation or other entity.

In the case of an employee who has received an extraordinary payment exceeding USD 10 000 from their former employer before entering government service, the employee is subject to a two-year cooling-off period with respect to that employer.

Recommended pre-employment checks in the Australian public service

Screening check	Rationale

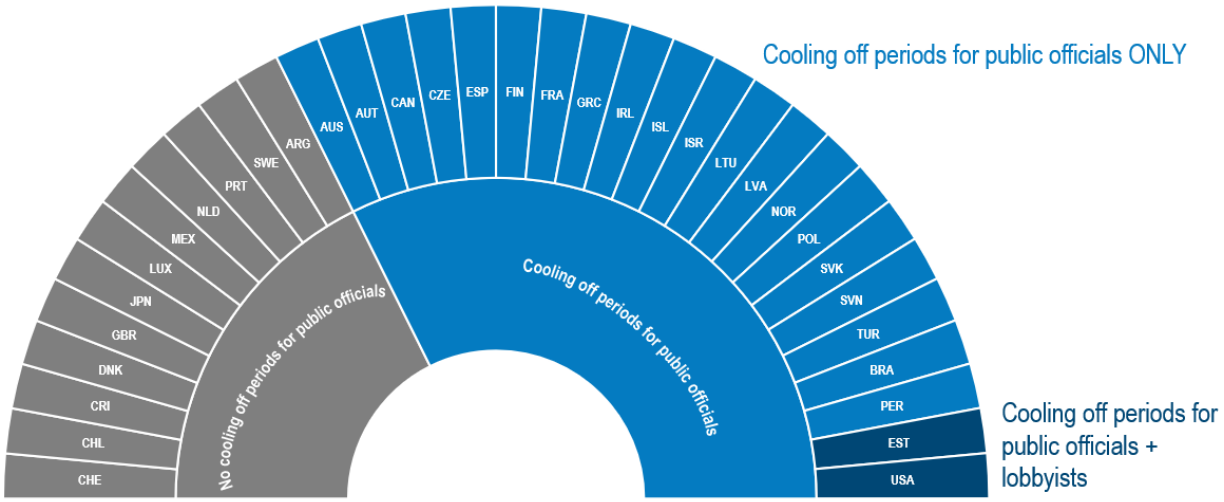
Integrity and reliability check	
Employment history check	An employment history check identifies whether there are unexplained gaps or anomalies in employment
Residential history check	A residential history check helps to substantiate the person's identity in the community. All personnel need to provide supporting evidence of their current permanent residential address.
Referee checks	A referee check helps entities engage people of the appropriate quality, suitability and integrity. The Attorney-General's Department recommends conducting professional referee checks covering a period of at least the last 3 months. A referee check may address: a. any substantiated complaints about the person's behaviour. b. information about any action, investigation or inquiry concerning the person's character, competence or conduct c. any security related factors that might reflect on the person's integrity and reliability
National police check	A national police check, commonly referred to as a criminal history or police records check, involves processing an individual's biographic details (such as name and date of birth) to determine if the name of that individual matches any others who may have previous criminal convictions.
Credit history check	A credit history check establishes whether the person has a history of financial defaults, is in a difficult financial situation, or if there are concerns about the person's finances.
Qualification check	A qualification check verifies a person's qualifications with the issuing authority
Conflict of interest declaration check	A conflict-of-interest declaration identifies conflicts, real or perceived, between a person's employment and their private, professional or business interests that could improperly influence the performance of their official duties and thus their ability to safeguard Australian Government resources. A conflict can be brought by (and not limited to) financial particulars, secondary employment and associations.
Entity-specific checks	The Attorney-General's Department recommends entities identify checks needed to mitigate additional entity personnel security risks where not addressed by the recommended minimum preemployment screening checks. Additional screening checks are entity-specific and are separate from the security clearance process. Some examples of entity-specific checks include drug and alcohol testing, detailed financial probity checks and psychological assessments.

Source: (OECD, 2022[61]) ; Adopted from **Invalid source specified.**.

93. Post-employment restrictions are set out in Sections 10, 11, 13 and 14 of the IKNL. These chiefly relate to cooling off periods after leaving public office, typically for two years. During this time, officials are prohibited from certain activities, such as being employed by, acquiring property in, receiving gifts or income from or representing entities with which they had dealings when in office (Saeima, 2002[12]). To mitigate the risk the revolving door, certain officials are entitled to a compensation of three-monthly salaries after leaving office (Saeima, 2009[62]). The 2023 amendments have expanded the cooling-off period to municipal deputies, who as of April 2023, are no longer permitted to receive salary from organisations to whom the official has allocated public funds in the previous two years (Saeima, 2023[63]).

94. In any case, this situation is no different from other OECD countries, where public officials who leave the public sector, move beyond administrative government control (Figure 1.3). Indeed, according to the European Public Accountability Mechanism study, out of the 34 European Union, European External Action Service and Eastern European countries analysed, only 7 have post-employment restrictions for heads of state, 11 for ministers, 8 for MPs and 17 for Civil Servants. Latvia has restrictions for all 4 categories.

Figure 1.3. Cooling-off periods in OECD countries



Source: (OECD, 2024[4])

95. As regards compensation mechanisms, only some categories of public officials in Austria, Israel, Norway, Portugal and Spain receive compensation. In Spain, public officials receive 80% of their basic salaries as compensation during the cooling off period and in Norway, compensation is awarded only in cases of prohibitions on taking up a specific appointment, the level of which is equivalent to the salary (OECD, 2015[64]). The length of the cooling off period among OECD members ranges across the countries from one year in Austria to five years in Germany (Box 1.21), as well as based on seniority and the nature of the post. Therefore, Latvia could consider expanding and determining compensation mechanism according with a risk-based approach that takes into consideration the position and decision-making power of said official. While certain officials are already entitled to three monthly salaries after stepping down from their role, suitable compensation mechanisms for other types of officials leaving office could be considered to reduce the risks associated with the revolving door. It is important that the establishment of compensation mechanisms is done in parallel with the assessment of the scope of public officials subject to these restrictions. Otherwise, providing for compensation without assessing the restrictions imposed in specific positions could overload the budget, especially in the case of local government.

Box 1.21. Post-employment restrictions in Germany

In Germany after a civil servant retires from public service or leaves for another reason, they require approval before engaging in paid or other employment. If the new position is found that it may interfere with service-related interests, the requests can be rejected. Officials must submit this request up to five years after leaving the public service or 3 years after retirement. After the end of this period former civil servants are required to disclose any secondary employment but not to seek approval.

Current and former members of the Federal Government are also subject to limitations in regard to employment which they wish to engage in after leaving the Federal Government. Under the Act governing the Legal Status of Members of the Federal Government, they must disclose their intention to engage in any employment outside the public service within 18 months of leaving the Federal Government. Current and former members of the Federal Government have to notify the Head of the Federal Chancellery of their intention to take up employment. Where there are concerns that the activity will interfere with public interests, it may be prohibited. Such refusal generally lapses after one year, but it may be extended to up to 18 months in cases where there is serious interference with public interests.

Members of the Federal Government are entitled to payment of a transitional allowance if they are prohibited from taking up a job during this waiting period. The transitional allowance is granted for the same number of months the minister served but with a minimum of 6 and maximum of 24 months - in full for the first 3 months and then at 50%. Therefore, the compensation for the cooling off period only applies in practice if the minister has been in office for less than 18 months.

Source: (UNODC, 2018[65])

96. More generally, Latvia has introduced a few exceptions for post-employment restrictions. The EC's 2021 Rule of Law report pointed out that provisions "*regulating revolving doors and post-employment restrictions remain limited in Latvia*" (European Commission, 2021[59]). For example, officials who have not had official dealings with a specific entity can accept employment or remuneration from private entities in the same sector that they worked in, immediately after leaving office. This last measure seems reasonable considering the size of the Latvian economy and the fact that most former officials would rely on employment in the sector they have developed a professional life in. Nevertheless, according to Latvian stakeholders, the measures are still considered disproportional and, as a consequence of the restrictions, there are no incentives for skilled workers to join the public sector. This is particularly the case in local government.

Latvia could consider strengthening collaboration with the private sector to detect and timely address both pre- and post-employment restrictions

97. Currently, private companies in Latvia are beyond the scope of the IKNL and are not required by law to check whether new hires could still be subject to a cooling-off period (KNAB, 2023[66]). Similarly, the national Corporate Governance Code does not cover provisions related to cooling-off periods (Ministry of Justice Advisory Board for Corporate Governance, 2020[67]), which could be a way to inform companies of their duty to review restrictions before hiring former public officials. In Spain, under Law 9/2017 on Public Sector Contracts, companies who have hired any person breaching post-employment restrictions are debarred from contracting with any public administration provided that the breach has been published in the Official State Gazette. The debarment is effective for as long as the person hired remains in employment up to two years from their termination as high-ranking official (UNODC, OECD and World Bank, 2020[27]). In this regard, Latvia could consider an obligation to be placed on private entities to verify that any new hires are not previous public officials still in the cooling off period, and penalties such as fines

established for any failure to perform this due diligence. Finally, Latvia could consider enhancing its recently adopted post-employment restrictions with regards to interest representation through a special and more risk-based mechanism, similar to the one in the United Kingdom (Box 1.22) for Parliamentarians, to avoid lobbying activities after leaving office.

Box 1.22. The independent Advisory Committee on Business Appointments (ACoBA) in the UK

In the UK ministers are not allowed to lobby the government for 2 years after they leave office and are required to seek approval from the independent Advisory Committee on Business Appointments (ACoBA) about any appointments or employment they wish to take up within two years of leaving office.

The ACoBA considers the requests based on the following criteria:

- to what extent, if at all, has the former Minister been in a position which could lay him or her open to the suggestion that the appointment was in some way a reward for past favours?
- has the former Minister been in a position where he or she has had access to trade secrets of competitors, knowledge of unannounced Government policy or other sensitive information which could give his or her new employer an unfair or improper advantage?
- is there another specific reason why acceptance of the appointment or employment could give rise to public concern on propriety grounds directly related to his or her former Ministerial role?

When it comes to civil servants, only senior officials are required to apply to their department for any new employment or appointment in the first two years since leaving office. The Department refers the application to the ACoBA, which advises the Prime Minister or relevant First Minister on the decision. The final decision on an application from a special adviser rest with the departmental permanent secretary.

Permanent secretaries are subject to a cooling off period of three months before taking up any new appointment although the ACoBA may waive or extend that period on a case-by-case basis. There is also a two-year ban on all permanent secretaries and those at equivalent posts lobbying Government on behalf of their new employer after they leave the Civil Service. This time period can also be reduced on advice from ACoBA.

Other civil servants may be subject to the same rules if:

- involved in developing policy affecting their prospective employer or have had access to unannounced Government policy or other privileged information affecting their prospective employer, at any time in their last two years in the Civil Service.
- responsible for regulatory or any other decisions affecting their prospective employer, at any time in their last two years in the Civil Service.
- had any official dealings with their prospective employer at any time in their last two years in the Civil Service.
- had official dealings of a continued or repeated nature with their prospective employer at any time during their Civil Service career.
- had access to commercially sensitive information of competitors of their prospective employer in the course of their official duties.
- the appointment or employment would involve making representations to or lobbying the Government on behalf of a new employer.
- the appointment or employment is consultancy work, either self-employed or as a member of a firm, and they have had official dealings with outside bodies or organisations in their last two years in the Civil Service that are involved in their proposed area of consultancy work.

Source: **Invalid source specified.**

2 Overcoming implementation challenges of the IKNL

Whilst the IKNL establishes fundamental prohibitions and constraints to prevent conflicts of interest among public officials, it is important for Latvia to ensure the practical implementation of these measures. Moreover, there is a need to enhance Latvia's institutional framework. This chapter will focus on tools and recommendations to strengthen implementation, such as the allocation of additional resources to KNAB and the SRS to augment their capacity in fulfilling their respective mandates.

Institutional arrangements for the implementation of the Conflict-of-Interest legal framework

98. Defining a policy approach to dealing with conflict of interest is an essential part of the political, administrative, and legal context of a country's public administration. Furthermore, ensuring that a conflict-of-interest legal framework is supported by organisational strategies and practices to help with identifying the variety of conflict-of-interest situations is a key aspect of its success (OECD, 2003[3]). In Latvia, guidance to support the implementation of conflict-of-interest policy, as well as awareness raising activities are provided by competent institutions via various avenues (Box 2.1).

Box 2.1. Guidance and training in relation to CoI provided by KNAB and other competent authorities in the Latvian Public Administration

Guidance and training are mainly provided through education and information events (e.g. e-learning, train-the-trainer seminars). These are either organised by KNAB or in cooperation with the Latvian School of Public Administration.

With regards to awareness raising, in 2022, KNAB officials organised or participated in 79 awareness-raising events on anti-corruption, conflict of interest prevention, public administration ethics, the development of corruption risk prevention internal control systems. In total, 8,320 people have been trained through participation in these events (out of 55,000 public officials). In 2021, a total of 3,495 certificates were issued for the completion of the e-learning course "Prevention of corruption" (second-to-last position in the above table). In 2022 – 3,212 certificates were issued. Until October 2023 – a total of 282 certificates have been issued.

There is also a specific course on "Prevention of conflict of interest and professional ethics of public officials" (online, monthly). In the framework of this course had 1,971 certificates were issued in 2021, 1,856 certificates in 2022, and 1,709 certificates until October 2023. At the same time, 8,176 persons participated in KNAB seminars on combining offices. This number amounted to 6,618 in 2022 and to 4,766 in 2023. It should be noted that a certificate is only issued if the person has at least 75% correct answers in the final test.

Additionally, KNAB's website includes a section with frequently asked questions (FAQs) regarding the implementation of the law, as well as other guidance and information presented in the form of infographics. Of the topics covered in the infographics, the following concern conflicts of interest:

- Requirements to be followed by local government deputies
- Restrictions on commercial activity for members of the Saeima
- What is a conflict of interest?
- Amendments to the law "On the prevention of conflict of interest in the activities of public officials"
- Commercial activities of municipal deputies

Source: Information provided by KNAB.

99. Training is mandatory and is supposed to be provided on a regular basis (at least once every three years) pursuant to Cabinet Regulation No.630 Section 11.2 (Cabinet of Ministers, 2017[68]). The materials developed by KNAB include guidance for managers of public institutions on preventing and managing CoI (KNAB, 2018[69]). The SRS has developed guidelines for heads of institutions on the definition of public officials subject to CoI obligations (State Revenue Service, 2022[34]). Explanations on CoI definition, examples on restrictions, prohibitions, obligations, are available on the KNAB website. KNAB has also developed some guidelines for civil servant on the application of the law. These however have not been updated since 2008 (KNAB, 2008[25]). Simultaneously, the Supreme Court has compiled a document titled "Case Law in the cases of the Corruption Prevention and Combating Bureau 2004-2019" (Supreme Court of Latvia, 2019[70]). The document is quite comprehensive analysing many aspects of the law, including for example cases of CoI situations and explanations of the relevant obligations. This typology could provide

the basis to further elaborate and update the KNAB Guidelines by translating this case law into specific guidance and step-by-step processes that are easy to understand and to implement.

100. According to the stakeholders, part of the prescriptive and legalistic approach to conflict of interest in Latvia referred to the historical context of the country. Therefore, any policy should not attempt to cover every possible situation in which a conflict of interest might arise, but instead be designed as a general policy and practice reference that is relevant to rapidly changing social contexts. The diversity and range of formal sources of the policy also indicates countries adherence to rule-based or principle-based approaches. An important consideration in OECD countries is how to combine rigid base-line standard-setting with more diverse, flexible, and practical instruments, which can be tailored to the special circumstances in which certain groups operate. Additionally, concise and practical instruments using plain language can more effectively communicate policy standards and expectations to both public officials and the public at large (OECD, 2003[3]).

101. Building on previous work, Latvia could invest its efforts towards developing a policy that complements the existing legal framework for conflict of interest, taking into consideration actual cases assessed by KNAB in their daily activities, as well as adjusting its institutional framework.. The policy could consider several aspects of a managing system for conflict of interest, including: (i) identify areas of improvement in the day-to-day management of conflict of interest situations alongside managers and considering sector level specificities building on the activities carried out in the framework of the Cabinet of Ministers Regulation No. 630, which require managers to implement an internal control system, including measures for the prevention of CoI, and periodically and selectively reassess this system and its effectiveness based on risks . The information could, thus be collected at a centralised level, allowing for an assessment on the effectiveness of the implementation of the overall CoI system, (ii) provide a clear and realistic description of what circumstances and relationships can lead to a conflict-of-interest situation, (iii) more focused examples of unacceptable conduct and relationships should be provided for those groups that are working in at-risk areas, such as the public-private sector interface, government procurement, regulatory and inspectorial functions, and government contracting.

Towards a preventive and managerial system of conflict of interest in Latvia

Latvia could consider strengthening KNAB's preventive role, while improving horizontal and vertical cooperation with ethics officials in government institutions and the private sector with emphasis on conflict-of-interest policies as well as training and guidance for public officials

102. While it is primarily the responsibility of individual public officials to be aware of possible conflicts of interest, public bodies and government organisations have the responsibility to ensure that the conflict-of-interest policy is implemented effectively (OECD, 2003[3]). This is of particular importance when determining preventive measures and its corresponding institutional setting. For prevention purposes, particular attention needs to be paid to at-risk areas and functions, especially where significant conflicts are more likely to arise or to prove more damaging to organisational integrity and public confidence.

103. In Latvia, KNAB's structure and objectives encompass certain preventive aspects. In particular, KNAB's Communication Division and Policy Planning Division provide regular and ad hoc guidance to public officials and develop informational materials regarding CoI in cooperation with the Administrative Violation Investigation Division responsible for the supervision of activities of public officials. KNAB's preventive role is also reflected in Latvia's Corruption Prevention and Combatting Action Plan 2023 – 2025, which includes objectives and measures aiming at enhancing public officials' awareness and understanding of CoI obligations (e.g. Lines of Action 1.2 "To ensure that the interpretation of the legal provisions contained in the Law on Prevention of Conflict of Interest in Activities of Public Officials is clear to public officials and the society; 1.3 To ensure uniform practice in the application of the status of public

official to employees of public person's institutions; 1.7 To review the general restrictions on the combination of public officials' offices set out in Section 6 of the Law on Prevention of Conflict of Interest in Activities of Public Officials, ensuring that the restrictions are proportionate and consistent with the purpose of the Law; 2.2 To implement the basic ethical principles and values of public administration set out in Cabinet Recommendation No. 1 of 21.11.2018 "Values and Ethical Principles of the Public Administration"; 2.3 To continue preparation of further educators on anti- corruption issues in public institutions, as well as to provide methodological support for full performance of functions of further educators in their institutions; 2.4 To ensure a knowledge training seminar for the Members of the Saeima on matters concerning the prevention of the conflict of interests, including matters of ethics). These are further reflected in KNAB's Operational Strategy 2023 – 2026 under Priority Area 3 and the objective "to improve the system for preventing conflicts of interest". Training for public officials in Latvia must be ensured at least once every three years according to Regulation No.630 Section 11.2. The choice of how these training are provided is left at the discretion of the respective institution – it can be done for instance by inviting KNAB experts, higher education professors or the Latvian School of Public Administration. KNAB educates approximately 10 000 officials and natural persons annually. The training plan/schedule is an internal process – in internal KNAB documentation and is not visible to the public. The schedule (plan) is drafted based on both requests by the institution, as well as based on risk-based priorities, e.g., parliamentary/municipal elections for the newly elected public officials.

104. Another issue is that despite KNAB's leading role in integrity and anti-corruption education in the Latvian public sector, the majority of stakeholders interviewed in consultations for this report agreed that the guidance received is not sufficient considering the many challenges and complexities in the implementation of the law and the widely promoted perception of KNAB as mainly an enforcement agency. In fact, stakeholders reported that managers of institutions find it difficult to turn to KNAB for individual advice regarding their CoI obligations, despite this possibility being established in the institutional framework (KNAB, 2023[66]). The reason for this is that KNAB is also the institution imposing the relevant sanctions in line with the liability established in Section 20 of the IKNL and public officials do not seem comfortable raising their uncertainties regarding the application of the law. Thus, it proves challenging in practice to distinguish between the preventive and enforcement functions of the same institution. To address these concerns and change perceptions about KNAB's work, Latvia could consider strengthening KNAB's preventive and advisory role. This approach could be further reflected in KNAB's organisational structure. To further emphasise its preventive functions, KNAB could highlight the role of the Third Deputy Director, who is responsible for strategy and policy planning, rather than law enforcement or administrative sanctions (KNAB, 2023[71]).

105. A similar structure is followed in the Special Investigation Service of the Republic of Lithuania (STT) which has a unique role in Lithuania combining both preventive functions. With regards to corruption prevention specifically, the STT carries out corruption risk analysis in certain areas of the public administration, municipal activities or processes, examining anti-corruption activities of one or more public entities involved. At the same time, the STT is also responsible for determining the level of resilience to corruption within public entities after being determined by the public sector entity itself. According to Article 12 of the Law on Corruption Prevention, the STT assesses the number and types of measures implemented in public sector entities to create an anti-corruption environment, including the implementation of CoI prevention and management measures (OECD, 2023[72]).

106. KNAB's Third Deputy Director has been assigned the mandate to develop a holistic plan to reach all relevant officials through regular training workshops in accordance with the relevant issues brought up by the heads of institutions, with a particular focus on heads of public institutions and points of contact in charge of managing conflicts of interests in their institutions. According to KBAB, the draft of such "Education and Communication Plan" is currently awaiting adoption. Indeed, raising awareness, building knowledge and skills, and cultivating commitment to integrity are essential public integrity elements, particularly in the management of conflicts of interest. Raising awareness about integrity standards,

practices and challenges helps public officials recognise potential conflict of interest scenarios when they arise. Likewise, well-designed training and guidance equip public officials with the knowledge and skills to manage integrity issues appropriately and seek out expert advice when needed. In turn, raising awareness and building capacity contributes to cultivating commitment among public officials, motivating behaviour to carry out their public duties in the public interest (OECD, 2020[73]).

107. The development of this training plan could be based on findings of the previously proposed assessment on the effectiveness of the CoI system. Indeed, the analytical findings of such an assessment exercise, could help identify training needs, as well as inform the tailoring of training offerings to high-risk office holders, so that they understand the rules which apply to them, the institutional arrangements for implementing those rules, and the different risks which they may encounter in their roles. Latvian stakeholders consulting with the OECD indicated that they would welcome such training tailored to the needs of their specific circumstances. Other OECD countries are taking this tailored approach to training based on their own assessments of which public sector roles may be higher risk (Box 2.2).

Box 2.2. Examples of training targeted at high-risk office holders

German Federal Procurement Agency

The Federal Procurement Agency is a government agency which manages purchasing for 26 different federal authorities, foundations and research institutions that fall under the responsibility of the Federal Ministry of the Interior. It is the second largest federal procurement agency after the Federal Office for Defence Technology and Procurement.

One of the key steps which the Procurement Agency has taken to promote integrity among its personnel is the organisation of workshops and training on corruption which set out the corruption risks inherent in their part of the public sector.

Since 2001, it is mandatory for new staff members to participate in a corruption prevention workshop. They learn about the risks of getting involved in bribery and the briber's possible strategies. Another part of the training deals with how to behave when these situations occur; for example, by encouraging them to report it ("blow the whistle"). Workshops highlight the central role of employees whose ethical behaviour is an essential part of corruption prevention and highlight which institutions they can go to for support and advice on integrity issues. About ten workshops took place with 190 persons who gave positive feedback concerning the content and the usefulness of this training. The involvement of the Agency's "Contact Person for the Prevention of Corruption" and the Head of the Department for Central Services in the workshops demonstrated to participants that corruption prevention is one of the priorities for the agency. In 2005 the target group of the workshops was enlarged to include not only induction training but also on-going training for the entire personnel. Since then, 6-7 workshops are being held per year at regular intervals, training approximately 70 new and existing employees per year.

Estonia Internal Control Bureau (ICB) and police academy

In Estonia, both the ICB of the Police and Border Guard Board (PBGB) and the police academy (the Estonian Academy of Security Sciences) provide training on integrity and anti-corruption to police cadets. Police cadets are provided a one-off three hours of anti-corruption training by the ICB and six lectures and six interactive seminars on police ethics by the police academy before being employed by the PBGB. In addition, the ICB provides two to three hours of anti-corruption training to assistant police officers.

General induction training is furthermore mandatory for all new staff of the PBGB, in which an hour to an hour and a half will be spent on anti-corruption topics. The content varies according to the target group, but usually includes the role of the ICB, corruption risks in police work, the requirements of the CSA (including as regards ancillary activities) and ACA (conflicts of interest, gifts, misuse of confidential information etc.), use of databases and data protection and use of social media.

In addition to initial training for cadets and new staff, in-service training on integrity is regularly provided, including specifically for mid-level managers, and tailored training is organised on an ad-hoc basis targeting high-risk work areas. In 2017, the ICB trained 987 persons in 51 training seminars on integrity and anti-corruption. The rules on gifts are covered in all anti-corruption and integrity training seminars organised by the ICB.

The ICB undertakes an annual assessment of corruption risk across every structural unit of the PBGB. According to this assessment, one of the highest risk areas was in relation to gifts given to employees of the document service desks. In addition, two recent investigations by the ICB into corruption were related to employees of the document service desks. As a result, the ICB organised 12 special training seminars for service desk employees in 2017, which, inter alia, addressed the issue of gifts and conflicts of interest in detail. This training was also filmed and made available on the PBGB intranet.

Source: (OECD, 2016[74]); (GRECO, 2018[75])

108. Furthermore, Latvia could consider establishing a conflict-of-interest network to improve coordination, oversight and compliance with conflict of interest regulations (**Kļūda! Nav atrasts atsauces avots.**). In the past, the State Chancellery has tried to establish such a network that could help in avoiding existing silos between institutions that deal with conflict-of-interest regulations in Latvia, whilst at the same time creating more standardised procedures for managing conflict of interest situations. Currently, Cabinet Recommendation No. 1 on the "*Values of State Administration and Fundamental Principles of Ethics*" regulates issues related to the functions of ethics officers (Cabinet of Ministers of the Republic of Latvia, 2018[10]). Indeed, Sections 17-18 of the Cabinet Recommendation establish that each public institution or department should elect or appoint one or more trusted persons in ethical issues (ethics officers). Collecting this data through the creation of a public register of ethics officials or ethics commissions in each institution, would be the first step for the establishment of an effective and up-to-date ethics network. The network could be then used as a channel for providing standardised guidance, identifying common challenges and resolving these in a harmonised way. These networks rarely have decision-making capacities, but they can help to enhance the effectiveness of integrity systems by sharing good practices, information, and lessons learned. Moreover, they can ensure that integrity remains on the agenda of public sector institutions. In addition to the sharing of experience and insights, cooperation through these networks can help entities in avoiding overlap and improve coherence in the management of conflicts of interest.

109. Involving the private sector early on could help anticipate potential conflict-of-interest situations by identifying situations where the involvement of these representatives could result in a conflict of interest (OECD, 2003[3]).Currently, in Latvia, there is the Public Consultative Council ("the Council") consisting of 18 representatives of civil society and non-governmental organisations. The Council was established by KNAB to ensure the participation of members of the public in developing, implementing, and educating the public in anti-corruption policy. The Council's role is to foster KNAB's relationship with the public by making recommendations on relevant issues. This provides an important basis for meaningful stakeholder engagement. However, members of the Council interviewed in preparation of this report reported that the Council's functions and operations lack long-term planning and vision. In fact, the Council seems to currently operate in a formalistic way without structure and leadership. Meetings are held, but there is currently no established work plan, short- and long-term objectives or concrete results to showcase. In so far, KNAB could optimise the operations of the Council by taking a more active role in its leadership and setting specific objectives and expected results as to how the Council could inform KNAB's CoI-related policymaking. KNAB underlines though, that the head of the Council is elected from the participating NGOs, who then leads its work, defines its goals and objectives. To date, KNAB has not received initiatives for discussion from the NGOs on issues or experiences that would be of interest to them. Consequently, KNAB has had to propose topics for discussion on the platform each time.

Latvia could consider setting-up a system for registering ad-hoc conflicts of interest, including for political officials

110. Ensuring coherence of policy standards for identifying and managing conflict of interest across the whole public service is a key concern when countries adjust their mechanism to changing public sector environments. As previously stated, adjustments in legal provisions are necessary to revise the base-line standards that are expected across the whole public sector. However, maintaining a flexible management framework is also key to provide managers with room to tailor more specific expectations to particular working environments. Such is the case of the management of ad-hoc conflicts of interest. In particular,

making public officials aware that they must promptly disclose all relevant information about a conflict on an ad hoc basis and when circumstances change is key for the success of an integrity system. In sum, by promoting the pro-active identification and management of conflict-of-interest situations on an ad-hoc basis, Latvia can nurture a culture in which public officials can seek guidance and advice without fear of reprisal (OECD, 2003[3]).

111. As stated by GRECO, Latvia needs to strengthen its *ad-hoc* reporting of conflict of interest for officials in political positions. In particular, GRECO has continuously pointed out the need to improve the CoI regime applicable to this category of public officials. In 2012, GRECO recommended that Parliament develops a comprehensive system to allow for the disclosure and registration of MPs' conflicts of interest (GRECO, 2012[24]). A lack of tangible progress towards establishing a system able to provide guidance to MPs on managing conflicts of interest or to develop a mechanism that would enable MPs to make *ad hoc* disclosures has also been noted (GRECO, 2021[76]). As of 2021, work on overhauling the Parliamentary Code of Ethics was ongoing, and KNAB has developed an ethics training programme for Parliamentarians.

112. In 2023, GRECO noted the amendments to the Cabinet Regulations no. 495 "Regulations on the Status and Competence of Supernumerary Advisory Employees of a Member of the Cabinet of Ministers" introducing a duty of notification of possible conflicts of interest by freelance consultants. However, GRECO deemed that recent amendments do not address the registration of a conflict of interest. In this regard, civil society organisations have concluded that the absence of this mechanism "*prevents observers from having a 'real-time' picture of what interests might affect MPs' as they make decisions*" (Transparency International Latvia, 2020[35]). Similarly, stakeholders interviewed for this report were also of the view that ad-hoc reporting of conflict of interest was rare amongst the entire public administration and that most officials were not aware of their reporting obligations nor the correct procedure for the reporting of such situations.

113. To systematise ad hoc reporting processes for this category of public officials, but also across the Latvian public administration, Latvia could consider establishing a system to facilitate monitoring with the aim of identifying also potential systemic risks. Ideally, such a system would seek to consolidate, together with a responsive advisory, monitoring and compliance mechanism. (GRECO, 2022[77]) Box 2.3 presents a relevant practice from Brazil, while Slovenia is also in the process of developing a register of conflicts of interest to better support the implementation of provisions referring to police officers' duty to act in response to any circumstances which might constitute a conflict of interest. Slovenia's system will be operated by the Internal Investigation and Integrity Division of the Service of Director General of the Police, which will be informed through a direct notification system of each entry of a new case in the register and of corresponding hierarchical decisions on required actions.

Box 2.3. The Electronic System for the Prevention of Conflict of Interest (SeCI) in Brazil

In July 2013, Law No. 12,813/2013 (Conflict of Interest Law) entered into force in Brazil, defining situations that constitute conflicts of interest during and after the exercise of position and / or employment in the Brazilian Federal Executive. All public officials are subject to the Conflict of Interest Act. The law delimited the responsibilities of the two supervisory and evaluation bodies – the Comptroller General of the Union (CGU) and the Public Ethics Commission. The Public Ethics Commission is responsible for assessments of declarations from inter alia Ministers, Directors of State-Owned Enterprises, and certain other federal public servants. The CGU is responsible for employees of the Federal Executive Branch.

To administer the new law, the CGU has developed the Electronic System for the Prevention of Conflict of Interest (SeCI). The electronic system allows federal public servants or employees to make formal submission to find out if they are likely to fall within a situation of conflict of interest, to request authorisation to exercise private activity, and to monitor submissions and lodge appeals. The system forwards these requests to the appropriate authority for a decision, and enables analysis and decision making based on existing cases within the system.

Between 10 July 2014 and 27 March 2020, federal public officials submitted 7961 consultations on conflict of interest to their agencies and entities through the SeCI. Out of the 7207 consultations analysed, 916 involved a relevant conflict of interest risk and were submitted to the CGU for further analysis. The CGU confirmed the existence of a relevant conflict of interest risk in 279 cases, advising against the exercise of the private activity under analysis. In relation to 198 consultations, the CGU considered that the identified risk of conflict of interest could be mitigated provided the interested party agreed to comply with certain conditions. In another 118 consultations, the CGU did not identify any relevant risk of conflict of interest, authorising the interested party to exercise the activity under consideration.

Source: (UNODC, 2018[78]) (CGU, 2023[79])

Towards strengthening Latvia's institutional integrity framework

Latvia could assign further resources to both SRS and KNAB and provide them with more tools for the performance of their duties

114. As in many countries, building upon the then current responsibilities of each agency head is key for the mainstreaming of ethics through the public administration. Latvia is no exemption, as it has been began re-enforcing the concept that each head is ultimately responsible for the ethics programme of his or her agency. However, as a part of its oversight responsibilities, KNAB performs periodically reviews to ensure that they are carried out within a consistent framework. Stakeholders interviewed for this report were of the view that the current legal mandate and resourcing of the SRS and KNAB are not sufficient for them to deliver on all their existing and expected functions. As at the date of this report, the SRS Data Administration Department of State Officials responsible for the verification of declarations consists of 18 full-time employees, 13 of which perform verification of declarations. Moreover, ongoing work to improve the automation of data administration processes of public officials, including functionalities of data risks, are budgeted at 313,595.70 EUR. For 2022, KNAB's budget amounted to 9,503,505 EUR (excluding the budget for financing of political parties activities), while the organisations occupies 148 public officials. As a way of comparison, the French High Authority for Transparency in Public Life, whose mandate is more

limited to senior officials only, has 71 full time members of staff and a total budget of EUR 9.6 million, of which EUR 6.1 million allocated to staff costs and EUR 3.5 million allocated to operative costs (HATVP, 2023[80]).

115. Under Sections 23, 26, 27 and 28 of the IKNL, the Public Officials Data Administration Division (PODAD) of the SRS Tax Administration is obliged to compare the information provided in the declaration with the information at its disposal and, if necessary, request further information from the declarant (e.g. bank accounts) or from other natural or legal persons. SRS officials stated during the fact-finding mission that they are sometimes limited by the fact that the legal framework prescribes narrow verification protocols and indicated a desire for more operational independence from the Ministry of Finance and better access to data such as bank accounts and suspicion transaction report (OECD, 2023[42]). In any case, PODAD officials are of the view that verification processes and protocols are enough and that, if necessary, they can request additional information from the declarant and other natural or legal persons. In addition, PODAD uses information on suspicious transactions provided by the Financial Intelligence Unit (FIU), as well as information provided by notaries and others (as explained in previous paragraphs).

116. It should also be noted that if PODAD detects/identifies possible cases of illicit enrichment and unexplained wealth in the process of verification of the declaration, the information is sent for assessment to the specialised unit of SRS - Tax Payment Promotion Department, which is competent to analyse income of a natural person (including a public official) and verify compliance of expenses of a person with his income, etc. If necessary, an audit of the individual may also be carried out. As previously explained, the SRS could, in practice, place greater emphasis on checking declarations to identify instances of illicit enrichment and unexplained wealth and forwarding them to the relevant law enforcement authorities.

Latvia could consider establishing a strategy to mainstream conflict of interest policies through the entire public administration, including at sector and local level

117. Any integrity system requires adaptability to specific contexts, particularly to address sector specific risks or to adapt to local realities that may differ from central level policies. As previously stated, under the current system in Latvia, heads of authority are assigned significant responsibilities to prevent conflict of interest in their institutions; each public authority, for instance, is expected to develop its own recusal process for its staff (Saeima, 2002[5]). While this may help generate a sense of ownership of integrity issues at the organisational level, it needs to be accompanied by a support structure to assist heads of authority in this task to avoid incoherent or inconsistent enforcement of the IKNL. This is partly because heads of public institutions are not likely to be specialists on managing conflicts of interest and are charged with overseeing a range of competing organisational priorities.

118. As previously stated, while KNAB reportedly recommends that each public authority appoints an ethics officer or establishes a structural unit to advise the institution's officials on ethics matters, this is not compulsory, as explained in Section 18 of the Values of State Administration and Fundamental Principle of Ethics (Cabinet of Ministers of the Republic of Latvia, 2018[10]) (KNAB, 2023[66]). Latvia could consider developing a clear institutional strategy to ensure effective dissemination of legal provisions and its adaptability at sector and institutional level. To promote its diffusion, mainstreaming and use, advisory functions could be either provided centrally by an independent preventive unit at KNAB or adequately resourced at the organisational level, such as by requiring each public authority to ringfence resources for an ethics officer or unit with functions similar to corruption prevention contacts in Germany (Box 2.4).

Box 2.4. Corruption prevention contacts in Germany

At the federal level, Germany has institutionalised units for corruption prevention as well as a responsible person that is dedicated to promoting corruption prevention measures within a public entity.

The responsible person must be formally nominated along with a deputy, and under the "Federal Government Directive concerning the Prevention of Corruption in the Federal Administration" their tasks are as follows:

- Serving as a contact person for agency staff and management, if necessary, without having to go through official channels, along with private persons
- Advising agency management
- Keeping staff members informed (e.g. by means of regularly scheduled seminars and presentations)
- Assisting with training
- Monitoring and assessing any indications of corruption
- Helping keep the public informed about penalties under public service law and criminal law (preventive effect) while respecting the privacy rights of those concerned

Source: **(OECD, 2019[33])**

119. Similarly, Latvia could conduct a study to determine whether individual public authorities, including at local level, are adequately resourced to establish integrity functions or if additional funds or support is required to establish such a function. Latvia could even consider making mandatory that each public authority appoints an ethics officer or establishes a structural unit to advise the institution's officials on ethics matters.

120. Finally, in countries where individual ministries and agencies are responsible for determining the scope of ethics training, training is often provided on a voluntary basis and is rarely mandatory. The training is provided individually to respond to the specific needs of public servants within each ministry or agency by providing information upon employee's request (Canada, Ireland) or by providing specific guidance when employees are confronted with CoI-related dilemmas. The training sessions are mainly organised by individual ministries and agencies. Nevertheless, in some countries, there is close co-operation with other specific agencies to determine the content of their ethics training (OECD, 2017[81]). Therefore, in Latvia courses on the prevention and management of CoI could be established under the requirements set by a central office and mainstream through the entire public administration by ethics officers whilst adapting to the sector or local administration requirements.

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