



## Summary of recommendations for strengthening Latvia's conflict of interest regime

The 2017 OECD Recommendation on Public Integrity covers conflicts of interest prevention in all three pillars (**Klūda! Nav atrasts atsauces avots.**). 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<sup>[2]</sup>).

### The OECD Recommendation on Public Integrity: System, Culture, Accountability



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<sup>[4]</sup>). 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. 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<sup>[5]</sup>).



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.

## *Chapter 1: Preventing conflict of interest in Latvia: a legal review*

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*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.*

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The recommendations detailed in this chapter provide input on ways through which Latvia could improve its legal framework for the prevention and management of conflict-of-interest (Col) situations.

First, Latvia could consider taking steps to further clarifying the definitions and objectives of the Law on Prevention of Conflict of Interest in Activities of Public Officials (IKNL) by:

- Aligning the conflict-of-interest definition provided in the IKNL with the definitions included in the KNAB Guidelines to clarify the distinction between real, apparent and potential conflicts of interest
- Ensuring that the definitions provided in the law, as well as the supporting materials, make clear that apparent and potential conflicts do not necessarily constitute a misconduct and should not be treated as such
- Updating the KNAB guidelines to reflect recent challenges and developments in the IKNL
- Strengthening the understanding of conflict of interest-related obligations through fine-tuning the definition of private and public interest, so that public officials understand which behaviours are allowed and which should be avoided or even prohibited
- Strengthening the IKNL's preventive rationale by amending Section 2 of the Law to include prevention and management of Col as the main objectives of the law

Secondly, Latvia could review reporting obligations and scope of reporting officials under the IKNL (asset and interest declarations) by:

- Assessing whether all public officials under Section 4(1) of the IKNL should 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 in reporting obligation (e.g., firemen, prison wardens)
- Broadening the category of public officials exempt from declaration under Section 23(5) of the IKNL in order to reduce the scope of declarants
- Reviewing the applicability of IKNL with regards to local officials and the functions they perform
- Establishing in legislation the obligation to assess and amend reporting obligations based on risks reviews conducted over time



- Identifying and including new trends, such as cryptocurrencies and beneficial ownership in their annual reviews
- Adopting more explicit and mandatory disclosure requirements with regards to virtual assets and treat them like traditional assets
- Strengthening other 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
- Joining the International Treaty on Exchange of Data for the Verification of Asset Declarations, 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
- Enhancing KNAB's preventive actions by monitoring the typologies of Col violations and refining its ad hoc advice into standardised guidance materials to better support both central and local government officials
- Implementing a user friendly and accessible platform for declarations akin to the PINREG platform in Lithuania
- Adopting an approach in which KNAB determines which violation cases to publish, prioritizing those committed by senior officials who are subject to greater public interest and scrutiny

Thirdly, Latvia could improve the pre- and post-employment restrictions in the IKNL by:

- 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
- Expanding and determining compensation mechanism during cooling-off periods according to a risk-based approach that takes into consideration the position and decision-making power of said official
- Placing an obligation on private entities to verify that any new hires are not previous public officials still in the cooling off period, and establishing penalties such as fines for any failure to perform this due diligence
- 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 for Parliamentarians, to avoid lobbying activities after leaving office

## *Chapter 2: Overcoming implementation challenges of the IKNL*

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*This chapter focuses 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.*

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The recommendations detailed in this chapter provide input on ways through which Latvia could improve institutional arrangements for the implementation of the Conflict-of-Interest legal framework.

Firstly, Latvia could enhance the preventive and managerial system of conflict of interest by:

- Investing 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



- Strengthening KNAB's preventive and advisory role and further reflecting such approach in KNAB's organisational structure (e.g. highlighting the role of the Third Deputy Director, who is responsible for strategy and policy planning)
- 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
- Establishing a conflict-of-interest network to improve coordination, oversight and compliance with conflict-of-interest regulations
- Setting-up a system for registering ad-hoc conflicts of interest, including for political officials

Secondly, Latvia could strengthen its institutional integrity framework by:

- Assigning further resources to both SRS and KNAB and provide them with more tools for the performance of their duties
- Establishing a strategy to mainstream conflict of interest policies through the entire public administration, including at sector and local level
- Conducting 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
- Establishing courses on the prevention and management of Col under the requirements set by a central office and mainstreaming through the entire public administration by ethics officers whilst adapting to the sector or local administration requirements