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# **The Conflict of Interest in Latvia and Selected Other New Democracies of the Central and Eastern Europe**

## **Public Officials' Declarations as a Tool of Control**

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# Why Introduce Declarations for Public Officials

- To increase transparency and the trust of citizens in public administration;
- To help heads of public institutions prevent conflicts of interest among their employees (or to help specialized agencies to control conflicts of interest);
- To monitor wealth variations of individual politicians and civil servants.



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# Covered Officials: Latvia

- Extensive coverage from the President of State to everyone who has the status of civil servant (56,187 in 2011)
- All three branches of the state authority.
- Also officials of state-owned enterprises and persons who fulfill delegated public functions outside state or local government institutions.
- However, ordinary doctors and teachers of public institutions are not covered.



# Covered Officials: Other Options

- Members of parliaments only/MPs and government members (“Scandinavian/ German model”).
- Senior/political officials (ARM, EE).
- Most/all public officials (LT, LV, UKR).
- Discretionary scope – ministers/ managers determine (EE).
- Others (e.g. officials of political parties, candidates) (LT, UKR). In LV special declaration for candidates.
- Related persons (spouses/domestic partners, children, other relatives and household members) (ARM, LT, UKR).



# What Shall Be Declared: Latvia

- Place of residence,
  - Spouse, parents, brothers, sisters and children,
  - Additional offices, employment and authorizations,
  - Real estate in ownership, possession, usage,
  - Status of individual merchant, shares, stock, securities,
  - Transport owned, leased, possessed, used,
  - Cash or non-cash savings\*,
  - All kinds of income,
  - Transactions and parties thereof\*,
  - Debts and loans\*, also debtors and creditors,
  - Other information upon wish.
- \*Above 20 minimum monthly wages.



# What Shall Be Declared: Principal Options

- Income (source, amount); expenses (amount, purpose), assets (ownership, beneficial ownership, use); liabilities (debts); non-pecuniary interests (external positions, memberships, etc.); related persons.
- The scope of information depends on the purpose:
  - Conflict of interest control requires information about interests rather than a necessarily all-encompassing picture of all income, assets, etc.;
  - Wealth monitoring requires information about all of the substantial assets, liabilities, income, and fluctuations thereof.



# Verification: Latvia

- The State Revenue Service has the formal obligation to verify whether declarations have been submitted and filled according to the established order.
- The declared data filled into the risk-analysis system for physical persons of the State Revenue Service. When information hints at possible violations, then tax audit (tax declarations required) or case forwarded to the Financial Police or the Corruption Prevention and Combating Bureau.
- The Corruption Prevention and Combating Bureau uses declarations primarily in order to detect conflicts of interest and violations of restrictions and prohibitions applicable to public officials.



# Verification: Principal Options

- All officials (UKR – upon commencing the service)
- *Ex officio* verification (EE, LT).
- Verification upon random selection (EE, LV).
- Verification based on risks identified in the disclosed information, e.g. major increases in wealth (LT, LV).
- Verifications based on indications about suspected violations, e.g. breaches of procedures by the official (EE, LT, LV).
- Verification upon receipt of a complaint by citizens (EE, LT, LV).





# Public Disclosure: Latvia

- The declared information is disclosed in full save for some narrowly-defined private data, e.g. addresses of residence and properties as well as the identities of counterparties of transactions of officials.
- In June 2012, the parliament included in the law a requirement to publish information on who has violated what provisions of the Law on Prevention of the Conflict of Interest. This provision applies also to violations in relation to the submission of declarations.



# Public Disclosure: Other Options

- Full public disclosure (the UK parliament).
- Limited disclosure (exempt kinds of information (ARM, EE, LV, LT, UKR) or officials (EE, LT)).
- Access to verification results?
- Restricted (KAZ).
- Protection of information on public officials:

The consent of the public official in question (EE – for some officials, current law);

Requirement to identify the requester (EE – new law).

Upon reasoned decision (LT – for a part of covered persons).



# Lessons: Verification

- The greatest numbers of covered officials and verified declarations *per se* are not the goals.
- At least some verification beneficial, particularly if the number of officials covered and the level of perceived corruption are high while trust is low.
- Balance between systematic verification according to rigid criteria and an *ad hoc* approach acting on particular warning notifications or other signals.
- Verification often depends on co-operation and capacity of other bodies, e.g. the tax administration.
- Some countries may choose not to run any verification of declarations for valid reasons, *e.g.* public disclosure *per se* is considered sufficient, civil society is strong, media is independent and elections are fair and free.



# Lessons: Declarations and Interests

- Information should be declared in a form, which allows one to identify interests relevant vis-a-vis the official position in question. For example, not just debts or transactions *per se* but also the counterparties.
- Up-to-date information should be available when the risk of the conflict of interest occurs, e.g. in LT declarations to be supplemented.
- Lists of specific categories of data will not exhaust all potentially possible causes of conflicts of interest.
- Correct data do not imply automatically the absence of a conflict of interest.



# Lessons: Other Issues

- Declarations should be made available to bodies, which have the task, powers and autonomy to control conflicts of interest, including the superior officials.
- A regular and formalized declaration not the only tool. Consider also *ad hoc* notification about a conflict of interest to the superior and/or parties of a case or the right to request recusal.
- Declarations should not be a pure ritual or seen as effective by virtue of some magic. A good system will have a clear rationale for how it works and achieves impact.



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principally financed by the EU



OECD (2011), Asset Declarations for Public Officials: A Tool to Prevent Corruption, OECD Publishing.

<http://dx.doi.org/10.1787/9789264095281-en>

Декларации активов для государственных служащих: инструмент для предупреждения коррупции

<http://dx.doi.org/10.1787/9789264118799-ru>