Chapter 2: Detailed findings on innovation in the Latvian public sector: National level

There is a continued appetite in the Latvian Public Sector to innovate: largely driven by a desire to increase efficiency and deal with time and resource scarcities. Through the Modernisation Plan and key European projects and agendas, a more strategic approach to innovation is evolving. Despite this, the potential and capacity for innovation remains weak due to barriers in the operating environment and capability issues within the public sector. Persistent challenges include perceived inflexibility of regulatory, legislative and audit frameworks, lack of explicit financing mechanisms for innovative initiatives, skill shortages, workforce retention and development issues and fear of risk and punishment in the event of failure. Momentum continues to build around measuring the impact of government policies, strategies and services with a strong emphasis on key performance indicators. This measurement approach will be enhanced by increased emphasis on measuring outcomes and identifying opportunities for innovation and transformation to improve the delivery of public services to citizens.

Methodology

This assessment report applies the OECD's Innovative Capacity Framework to understand the drivers, enabling environment, capacities, resources, impact and learning relevant to innovation in the Latvian Public Sector. This methodology enables the application of a systems lens to understand the most critical intervention points that need to be addressed to enhance the use of innovative approaches to improve public sector outcomes. The following questions framed the research activities:

- **Purpose:** What is driving the intent to innovate? (i.e., drivers and incentives)
- **Potential:** What elements across the system determine whether innovative efforts are attempted? (i.e., enabling environment)
- **Capacity**: What is needed to carry out innovative efforts and integrate them into everyday practice? (i.e., resources, skills and capabilities)
- **Impact:** How is the impact of innovative efforts understood and informing future practice? (i.e., evaluation, measurement and learning)

In order to answer these questions and ensure the recommendations and findings in this report are based on substantive evidence, a number of research and engagement activities were conducted:

- A **literature review** of key governmental strategies, EU, OECD and World Bank Reports, academic literature, government laws and decisions etc.
- A **survey** of municipal government employees which received 147 complete and 174 partial responses.
- A **survey** of national government employees which received 716 complete and 1628 partial responses.
- A survey of **non-profit, academia, private sector and civil society representatives** which received 19 complete and 22 partial responses.
- Four **focus groups** targeting executive, technical level, innovation and policy communities.
- A **municipal level project launch** and **engagement workshop.**
- A **municipal** and **national level validation workshop.**
- **22 interviews** with actors across municipal and national level institutions.

Note: This report often refers to the comments and insights of "research participants" as a source of evidence. This group refers to participants in interviews, workshops, focus groups and survey respondents (including narrative responses).

Overview of the Report

Chapter 2: Outlines the detailed findings of national level research: mapping insights on innovative capacity to the OECD's Innovative Capacity Framework.

Chapter 3: Outlines the detailed insights on innovative capacity at the municipal level.

Chapter 4: Outlines the journey from insights to action, including directional shifts that can be supported through the development of an innovation strategy and action plan.

A heatmap of Latvia's innovative capacity

The overall findings of this research highlight a range of strengths, opportunities and barriers hindering and enabling innovation in the Latvian public sector. Based on the evidence gathered from this research, the detailed findings presented in this chapter were assessed in relation to the Innovative Capacity Framework's indicators – scoring each focus area on a scale from emerging to optimising. The below heat map showcases the results from this assessment – noting that the most urgent issue areas are in the systems level capacity and potential for innovation, followed by systems level impact, individual level potential and individual level purpose. The rationale behind each scoring is evidenced throughout this chapter.

Figure 2.1. Heat map of Latvia's Innovative Capacity
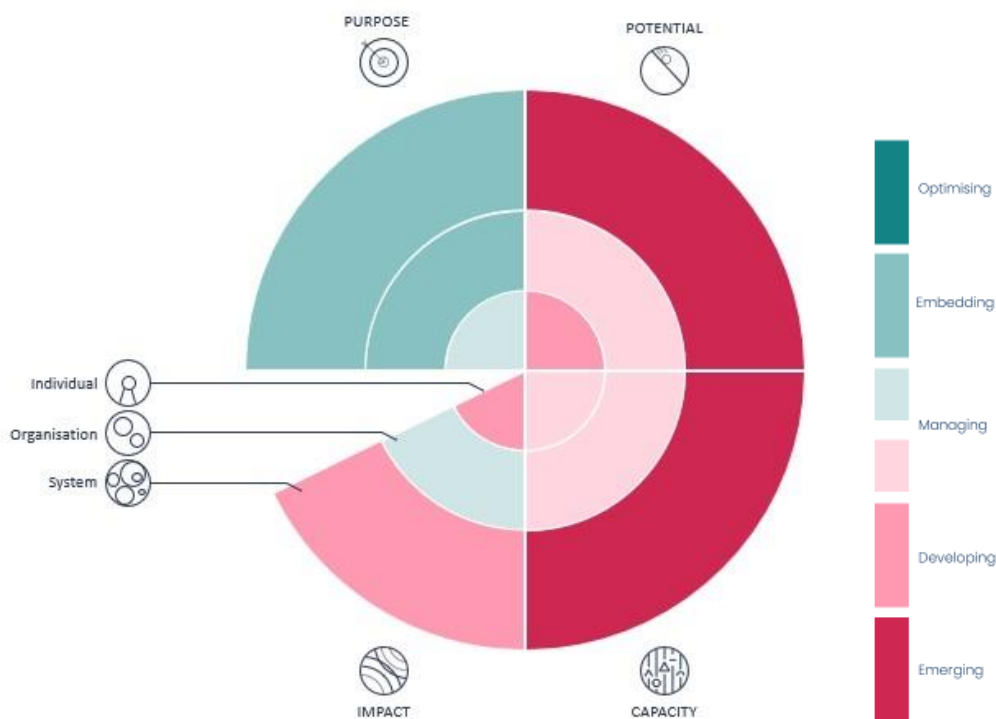
Source: OECD Observatory of Public Sector Innovation

Purpose: What is driving the intent to innovate?

Summary: *Latvia needs a clear and strategic approach to innovation that is supported by politicians and leaders. Innovative efforts are currently driven by government priorities and desires to increase efficiency, meet international standards (including EU and OECD priorities) and to respond to crises, shocks and citizen pressures. Key strategic agendas could become powerful drivers of innovation in the public sector by reducing the fragmentation of such agendas and by linking strategic agendas to organisational and individual level responsibilities, incentives and rewards.*

> "In the last three years the change was so fast - covid, war... We had to innovate day by day." – *Interviewee from this project*

Innovation in the Latvian public sector is often driven by a desire to increase efficiency in a constrained financial environment – a need to do more with less, rather than a desire to improve the effectiveness of government policies and services[1]. Furthermore, interviewees and focus group participants noted that innovation is also often driven by external forces such as EU priorities, crises, societal expectations and criticism communicated through media, and a desire to perform well at an international stage. These findings were also confirmed in the survey (Figure 2) which found that global challenges, missions and international standards, followed by public opinion, trust and citizen expectations were the strongest drivers of innovation.

> *"If society demands something of the government, then politicians start to mirror it after some time, then they put it in their speeches, and it enters the agenda…. I would wish our leaders would be more engaged in innovative initiatives. Of course, the dream would be that they are not only engaged, but they encourage innovation – a culture of innovation, experimentation and failing. – Interviewee from this project*

Box 2.1. Efficiency focused innovations in Latvia

Many of the innovations implemented by the Latvian public sector are aimed at improving efficiency and effectiveness of government services.

National land registry: This land registry service and state revenue service combines publicly available data for companies, citizens and professionals to use; simplifying access to information and administrative processes.

E-signatures: Digital signatures have been developed in Latvia since 2005 and have since evolved to include a Baltic-wide e-document space, expediting approval processes. For example, in recent years e-signatures have been introduced to expedite signing and approval processes while ensuring security. Moreover, innovations such as the real-estate registry and changes to the road safety authority have been introduced to enhance the efficiency of government services.

Virtual Assistant: The Business Register has introduced a virtual assistant "Una" to help provide answers to the most frequently asked questions via Facebook and their website; alleviating pressures on face-to-face customer service centres and helping improve communication and access to information.
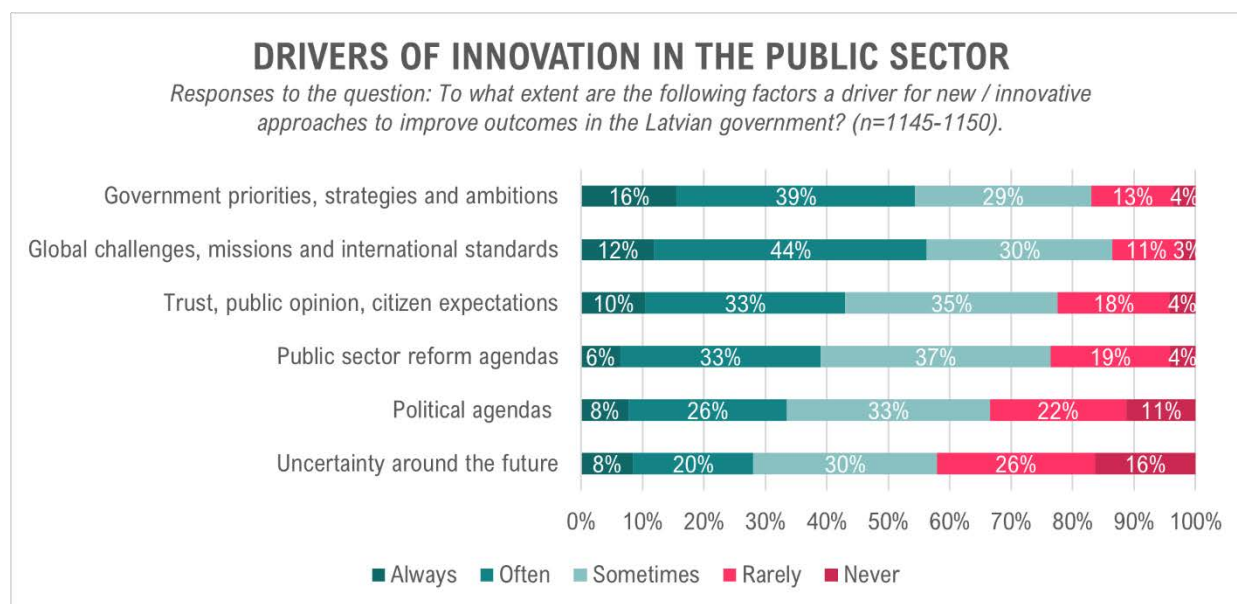
User experience and design thinking to improve information management systems: The Central Financial and Contract Agency has taken a user-focused approach by developing and testing prototypes of web solutions to enhance functionality to project applicants, employees and beneficiaries.

Source: (SJSC Latvian State Radio and Television Centre, 2020[1]; Central Finance and Contracts Agency, 2020[2]) and interviews, focus groups and surveys with officials across the Latvian public sector.

Figure 2.2. Drivers of innovation in the public sector

The strongest drivers indicated in a survey of national level public servants, were government priorities, strategies and ambitions, as well as global challenges, missions and international standards. The weakest drivers were

uncertainty around the future and political agendas: showcasing a potential lack of political support for innovation, and lack of appetite to engage with the future.

DRIVERS OF INNOVATION IN THE PUBLIC SECTOR

Responses to the question: To what extent are the following factors a driver for new / innovative approaches to improve outcomes in the Latvian government? (n=1145-1150).

	Always	Often	Sometimes	Rarely	Never
Government priorities, strategies and ambitions	16%	39%	29%	13%	4%
Global challenges, missions and international standards	12%	44%	30%	11%	3%
Trust, public opinion, citizen expectations	10%	33%	35%	18%	4%
Public sector reform agendas	6%	33%	37%	19%	4%
Political agendas	8%	26%	33%	22%	11%
Uncertainty around the future	8%	20%	30%	26%	16%

Source: OECD Survey on Innovative Capacity in the Latvian Public Sector. N=1145-1150

There are an abundance of government priorities and reforms that have the potential to be strong drivers for innovation, including those in the Modernisation Plan (see Box 2.2. *Innovation and the Latvian Modernisation Plan*), reforms on developing an efficient state administration, and the National Development Plan of Latvia for 2023 – 2027. Priorities in these reforms include: strong families, business competitiveness, a safe and secure society, paired with priorities for government including: development of an efficient state administration, supporting smart work, improving horizontal management and supporting transformation (Latvian State Chancellery, 2020[3]). EU projects are also often a driver for innovation. Such projects include efforts to support anticipatory innovation, (OECD, 2023[4]), enhance tax collection, improve the judicial system, develop human-centric digital services, enhance co-operation and quality of public administration and strengthen corruption prevention (European Commission, 2022[5]).

These strategic priorities, reforms and EU agendas were noted in surveys and interviews as drivers of innovation but were perceived by many research participants as fragmented – driving innovation in many different directions rather than supporting a coordinated approach and are subject to a wide range of project delivery timelines. The Modernisation Plan, which was adopted in 2023 and supported by the RRP offers a key opportunity to unify reform agendas and transformation initiatives in the public sector around key priority areas (see Box 2.10. *Innovation in the National Recovery and Resilience Plan*).

"There is a jerky, campaign-like approach to innovation, no mid-term and long-term plans, reactive action." – Interviewee from this project

"There is no high-level vision, strategy, or direction for innovation and where to go. We need this centrally and then to have conduits for efforts of ministries to plug into this." – Interviewee from this project

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Box 2.2. Innovation and the Public Administration Modernisation Plan (2023-2027)

The Public Administration Modernisation Plan (2023-2027) provides a number of clear drivers for innovative activity, including increased trust in public administration (targeting an increase of 16%), satisfaction in public services (targeting an increase of 9.5%), targets for the implementation of innovation activities, future office and performance management. The plan aims to provide clear directions for development and change to ensure that the public administration can adapt to changing circumstances. All seven key action areas of the Modernisation Plan present opportunities for innovation:

1. United and efficient public administration *(use of innovative project teams, strengthening common values, improving cross-sectoral cooperation, horizonal issue management).*

2. Development of human resources *(equipping public servants with the skills and knowledge needed to work in innovative and more effective ways, exploring the future of the public service)*

3. Quality of policy and regulation *(renewing policy planning, reducing administrative burden)*

4. Centralisation of support functions *(improving interoperability, shared services, efficiency etc.)*

5. Smart work *(new approaches to work organisation, co-working, improving rural opportunities)*

6. Development of innovation *(developing and implementing a systemic approach to innovation, dedicating resources to innovation)*

7. Digital transformation of public administration *(improving data management and sharing, service delivery and effectiveness, improving efficiency and effectiveness of government processes through the use of digital platforms and tools).*

This Modernisation Plan offers significant potential for innovative transformation within the Latvian public sector and could provide a strong driver and enabler of innovative activities. To ensure cohesion of the strategic approach, reform agendas, additional strategies and key EU projects should be clearly aligned to the Modernisation Plan. Embedding the capacity of the Cross-Sectoral Co-ordination Centre within the Latvian State Chancellery will help to ensure systems-wide co-ordination of the Strategy's implementation.

Source: (Latvian State Chancellery, 2023[6]).

While government priorities, strategies and ambitions are seen as a strong driver for innovation, supported by senior government leaders and public servants (see Figure 2.2. *Drivers of innovation in the public sector*) research participants noted that politicians are rarely direct advocates and drivers of innovative approaches. Politicians remain hesitant to push for innovation, other than on topics of efficiency and cost reduction (political mandates and laws were noted as a hindrance to innovation by 53% of survey respondents).[2] Research has also found a lack of appetite at the political level to seek scientific data to inform policy development (Kalniņš, 2019[7]). Furthermore, research participants from this study on innovative capacity claimed that politicians and public sector leaders are often afraid to set explicit ambitious goals and key performance indicators (KPIs) out of fear that they might not achieve them. This is likely due to a fear of scrutiny over potential failures that could result from innovative efforts: 41% of survey respondents indicated risk of punishment and legal liability as a hindrance to innovation (OECD OPSI, 2023[8]). There is a risk that overarching government reform agendas are being overlooked by short term political priorities.

The state audit office raised the issue of political support as one of the key barriers to the implementation of the State Administration Reform Plan of 2020; stating the absence of political support, with capacity issues in the State Chancellery as key barriers to the Reform's success (State Audit Office of the Republic

of Latvia, 2021[9]). Furthermore, the audit office flagged that the lack of political support to address the renumeration issue has prevented change (State Audit Office of the Republic of Latvia, 2021[9]).

> *"We are alone with our big problems. Political parties are not willing to support public sector policies for innovation. Their main focus and statements are on efficiency, small effects in public administration." –*
> *Interviewee from this project*

Latvia also suffers from low trust levels in government where only 29.5% of Latvians trust their national government (OECD, 2023[10]). 78% of survey respondents from this project noted the desire to improve trust to be sometimes, often or always a driver of innovation (see Figure 2.2. *Drivers of innovation in the public sector*) this was additionally noted in interviews and focus groups, particularly in cases where the media communicated a lack of satisfaction in government (OECD OPSI, 2023[8]). This motivation is well aligned with the findings that the responsiveness of government agencies to adopt innovative ideas has a statistically significant relationship with trust in government (OECD, 2022[11]).

On an individual level, public servants are often motivated to innovate to find efficiencies, improve their job satisfaction and to serve citizens more effectively.[3] However, less than half of those surveyed indicated they are rewarded for innovative behaviour through career advancement, increased compensation and promotions (see Figure 2.3. *Rewards for innovating*) and 30% indicated either never or rarely being recognised by leadership for pursuing innovative approaches (OECD OPSI, 2023[8]). Recognition from leadership can be a key motivator for innovation and can help establish a clear innovation culture within organisations (OECD, 2021[12]).

Figure 2.3. Rewards for innovating

The strongest incentive to innovate amongst those surveyed was individual satisfaction.

REWARDS AND INCENTIVES FOR INNOVATION
Responses to the question: I am rewarded in the following ways for pursuing new / improved approaches (n=1151-1153)

	Always	Often	Sometimes	Rarely	Never
Individual satisfaction	30%	37%	25%	7%	2%
Performance management assessments	14%	34%	33%	14%	5%
Recognition from leadership	9%	26%	35%	22%	8%
Promotions, career advancement and increased compensation	5%	12%	29%	33%	21%

Source: OECD Survey on Innovative Capacity in the Latvian Public Sector. N=1151-1153

Encouraging innovation at the individual level through recognition from leaders, performance management assessments and career advancement could increase the drive to innovate (see Box 2.3. *Rewarding innovative behaviour*). (OECD, 2017[13])

> ### Box 2.3. Rewarding innovative behaviour at individual and organisational levels
>
> Rewarding innovative behaviour through both intrinsic and extrinsic incentives has been proven fruitful (Demirciouglu and Audretsch, 2017[14]). As part of this external recognition for innovation efforts is also important, including leadership recognition, performance management, career advancement and innovation awards – all of this can help incentivise innovation (Rosenblatt, 2011[15])
>
> Innovation awards are used in many countries to help drive and reward innovative behaviours. Innovation awards could serve as important motivators, while also enabling the sharing of lessons learned, best practices and solutions that could be adapted to new contexts. Global examples include the European Public Sector Awards, Open Government Partnership Local Innovation Awards, Belgium's Federal Innovation Awards, Brazil's Innovation Awards and the Irish Civil Service Excellence and Innovation Awards. The City of Louisville, USA, rewards staff with badges for involvement in innovative initiatives including hackathons, collaborative projects, digital inclusion initiatives and more.
>
> Furthermore, management accountability frameworks, performance reviews and career advancement plans can also include explicit incentives for innovative behaviour. However, these must be carefully implemented and supported by innovative skills to avoid these becoming "box checking" exercises. Examples can be found in Box 12. *Examples of approaches to objective setting, measurement and accountability*.
>
> Rewarding innovation through performance management and career advancement can help encourage and normalise innovative behaviour.
>
> Source: (Badgelist, 2017[16]; OECD Observatory of Public Sector Innovation, 2022[17]; OECD, 2021[12]; OECD, 2018[18])

Considerations for the Latvian public sector

The above findings showcase a strong drive for innovative approaches at the individual, organisational and systems levels, with some need for increased strategic cohesion, political engagement, individual level incentives and supports to work more actively with uncertainty.

Based on the above analysis, the Latvian government may consider to:

- **Establish an Innovation Strategy**, under the purview of the Director of the State Chancellery, that embeds the principles of the Modernisation Plan into concrete action. Pair the strategy with measurement indicators and clear accountabilities and responsibilities at the organisational and individual levels. (e.g. combining measurement approaches such as the Innovation Barometer, Key Performance and Results planning or key success factors, such as those shown in the Irish Innovation Strategy).
- **Engage politicians on the need for innovation** to cope with a rapidly changing governance environment, era of crisis and shocks, and to engage with uncertainty in the present and future. This could include: collaboration between innovation specialists and the Prime Minister's office on how to work in innovative ways to deliver on key priorities nominate a political champion of the work, work alongside executive committees and task forces to support innovative initiatives (e.g. Cross-Parliamentary Group for Innovation such as that of the UK).
- **Align EU, reform, strategic and innovation agendas clearly to the Modernisation Plan** to ensure a clear narrative and understanding of how each element contributes to innovative public

governance and individual public servants' responsibilities (see Box 2.2. *Innovation and the Latvian Modernisation Plan*).

- **Innovative initiatives (including the innovation strategy) should be aligned to key government priorities such as fighting corruption, the stability programme, key government missions, the priorities of the Modernisation Plan;** shifting the rhetoric around innovation beyond a purely financially efficient focused narratives to one which considers how innovation can enable improved outcomes and achieve difficult objectives such as establishing a comprehensive and integrated healthcare system, supporting a green and fair economy and supporting social fairness ((European Parliamentary Research Service, 2023[19]) (European Commission, 2022[20]).

- **Work with talent management and human resource experts to recognise the individual contributions of public servants in proposing, spearheading and implementing innovative initiatives** through informal and formal recognition such as promotions, innovation awards and performance assessments. Similarly, recognise and disseminate the work of public sector organisations that are on the forefront of innovative practices.

Potential for Innovation: What determines whether innovative efforts are attempted?

Summary: *Potential for innovation (i.e., the enabling environment that either prohibits or encourages innovation, such as team culture) in the Latvian public sector stems from involvement in international communities of practice (e.g., OECD working groups), networks for exchanging experiences around innovative practices (i.e., the Innovation Network), strategies which demand innovation for implementation and pressure from constant financial constraints to work more efficiently (although this can also be a barrier). Furthermore, team environments and managers often manage to foster innovative cultures within their teams. However, these factors are not sufficient to enable innovation in Latvia; risk aversion, a culture of cost cutting, staff shortages and time scarcity often stand in the way of innovation. Therefore, the Latvian public sector needs to create more enabling conditions for innovation to flourish.*

Research Findings

Team and organisational enablers: Only 35% of public servants confidently agreed that innovative approaches are normal and expected in their organisations (8% always, 27% often) (OECD OPSI, 2023[21]). Despite this, opportunities remain to create a stronger enabling environment for innovation across the entire public sector

> **91 %** of public servants perceive their **team environment** as always, sometimes or often an **enabler of innovation.** On the contrary, **54 %** believe that political leaders, signals and directions are **never** or **rarely** enablers of innovation.

system, in particular, for innovations that move beyond an efficiency focus. Innovation is typically seen as a tool for cost savings, most possible in low-risk contexts where the likelihood of failure is minimal. Opportunities for more ambitious and long-term innovative initiatives to be attempted are few and far between and are typically part of EU funded projects. The state audit office noted that many public institutions are in "survival mode", making it difficult to find time, staff and resources to consider and implement innovative solutions (State Audit Office of the Republic of Latvia, 2021[9]).

> "It is unreasonable to demand and wait for innovative solutions, targeted and meaningful reforms when many institutions are operating in a 'survival' mode." (State Audit Office of the Republic of Latvia, 2021[9])

Latvia also ranked highly in the area of uncertainty avoidance – reflecting a resistance to embrace uncertainty about the present and future, and instead a tendency to rely on set rules and norms of behaviour (Hofstede Insights, n.d.[22]). The tendency towards avoiding uncertainty could be part of why research participants found it difficult to break with the status quo.

Few safe spaces in Latvia exist for prototyping, testing solutions and experimentation. The creation of such spaces could help shift the culture around risk taking and uncertainty by creating environments where risk is tolerated in a controlled context (OECD, 2017[13]). This shelters those who are conducting experiments, developing innovative ideas and prototyping from backlash in the event of failures or unexpected results, meanwhile ensuring the effective use of government resources. One example of establishing this type of space is found in the Ministry of Welfare which established a programme for pilot projects (see Box 2.4. *Innovative pilot projects and sandboxes).*

Box 2.4. Innovative pilot projects and sandboxes

The **Latvian Ministry of Welfare**, based on the European Commission's Guidance for social policy experiments, has launched a number of pilot projects to respond to challenges in innovative ways, on a small scale with clear measures on the impact of activities. Each project targeted interventions on a small group of pilot subjects in a controlled environment to minimize risks and optimize impact measurement.

The results of projects have led to either scaling, modification or cancellation of initiatives based on success factors. Target areas have included social rehabilitation services for children addicted to psychoactive substances, family friendly services for children with functional impairments, individual budget allocations, methodology for social work amongst others.

In Latvia, the **Ministry of Economics** is working on a **law supporting innovative entrepreneurship and priority investments** which should create a legal framework for supporting entrepreneurship in priority sectors, innovation zones and regulatory sandboxes. The regulatory sandboxes will enable experimentation and testing of new regulations.
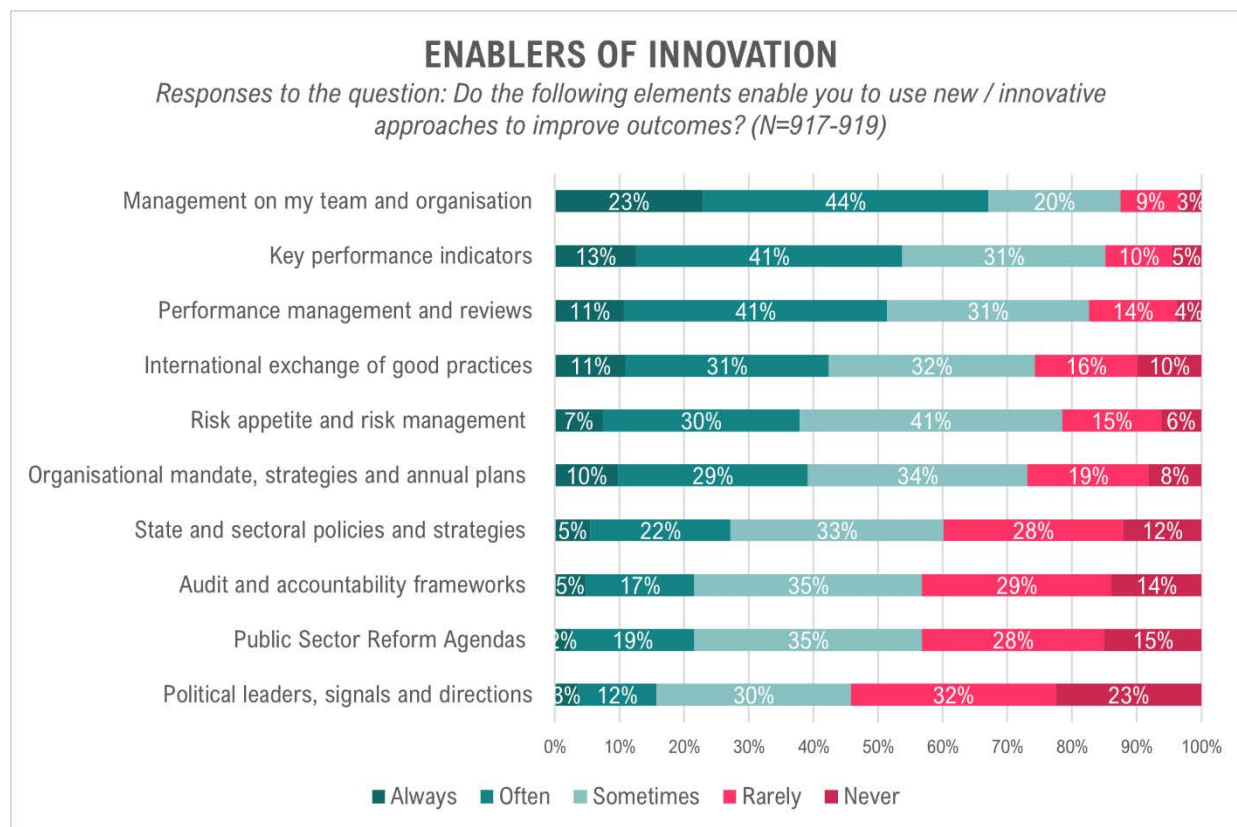
Controlled pilots, sandboxes, prototyping, incubators, and experimental projects enable ideation, testing and impact measurement in an environment which allows risk to be managed and closely monitored. When successful, projects can be scaled, adapted and spread, and when ineffective they can be closed or adjusted.

Source: Latvian Ministry of Welfare (2023) and Ministry of Economics (2023).

Public servants surveyed in Latvia perceive the most common enablers of innovative activities to be team environments (91% reported as always, often or sometimes enabling innovation), management of teams and organisations (87%) and key performance indicators (85%) (see Figure 2.4. *Enablers of innovation).* This demonstrates that while systemic approaches to building enabling environments for innovation are lacking, organisational and team level factors are working to enable innovative activities (see Box 2.5. *Fostering innovative culture in Latvian public sector organisations).*

Furthermore, 43% of survey respondents noted that organisational changes (such as institutional restructuring, changes in leadership etc.) were a hindrance to innovation, indicating a need for continuity in innovation processes (which can be supported through overarching strategies), despite political and institutional changes (OECD OPSI, 2023[8]).

Figure 2.4. Enablers of Innovation

ENABLERS OF INNOVATION

Responses to the question: Do the following elements enable you to use new / innovative approaches to improve outcomes? (N=917-919)

	Always	Often	Sometimes	Rarely	Never
Management on my team and organisation	23%	44%	20%	9%	3%
Key performance indicators	13%	41%	31%	10%	5%
Performance management and reviews	11%	41%	31%	14%	4%
International exchange of good practices	11%	31%	32%	16%	10%
Risk appetite and risk management	7%	30%	41%	15%	6%
Organisational mandate, strategies and annual plans	10%	29%	34%	19%	8%
State and sectoral policies and strategies	5%	22%	33%	28%	12%
Audit and accountability frameworks	5%	17%	35%	29%	14%
Public Sector Reform Agendas	2%	19%	35%	28%	15%
Political leaders, signals and directions	3%	12%	30%	32%	23%

Source: (OECD OPSI, 2023[8])

Box 2.5. Fostering innovative culture in Latvia Public Sector Organisations

Organisational and team culture has a huge influence on employees' desire to pursue innovative activities. Many incentives, enablers and supports can be introduced at the organisational level to encourage innovation, such as dedicating time to innovate, creating supportive team environments, encouraging team members to challenge the status quo etc.

In Latvia, the **Employee Council** in the **Ministry of Economics** has taken responsibility for gathering ideas from within the department and bringing them to life; cutting through the often time-consuming layers of bureaucratic management to reach the minister.

The **Latvijas Banka** (Latvian Central Bank) has introduced an Innovation Hub dedicated to supporting business development in the area of FinTech. This Hub helps enhance services to business users by providing clarity on financial sector regulations, compliance, identifying challenges in business development and provide clarity on the bank's approach to introducing innovative solutions. The Bank has also dedicated 10% of employee staff time to experimentation: creating space for innovation and normalising innovation and experimentation as part of the daily life of employees.

The **Latvian Innovation Laboratory** has also convened and supported an Innovation Network to disseminate innovative initiatives, ideas and culture across the public service, open to all public servants.

A global example of a mechanism that could be used in Latvia to encourage a shift in public sector culture includes Portugal's **"Right to challenge"** which is a process through which individual public servants can independently identify a problem or gap where they feel that status quo processes or mechanisms do not suffice. For selected problems, prototypes and potential solutions are developed to identify and test the most impactful solutions.
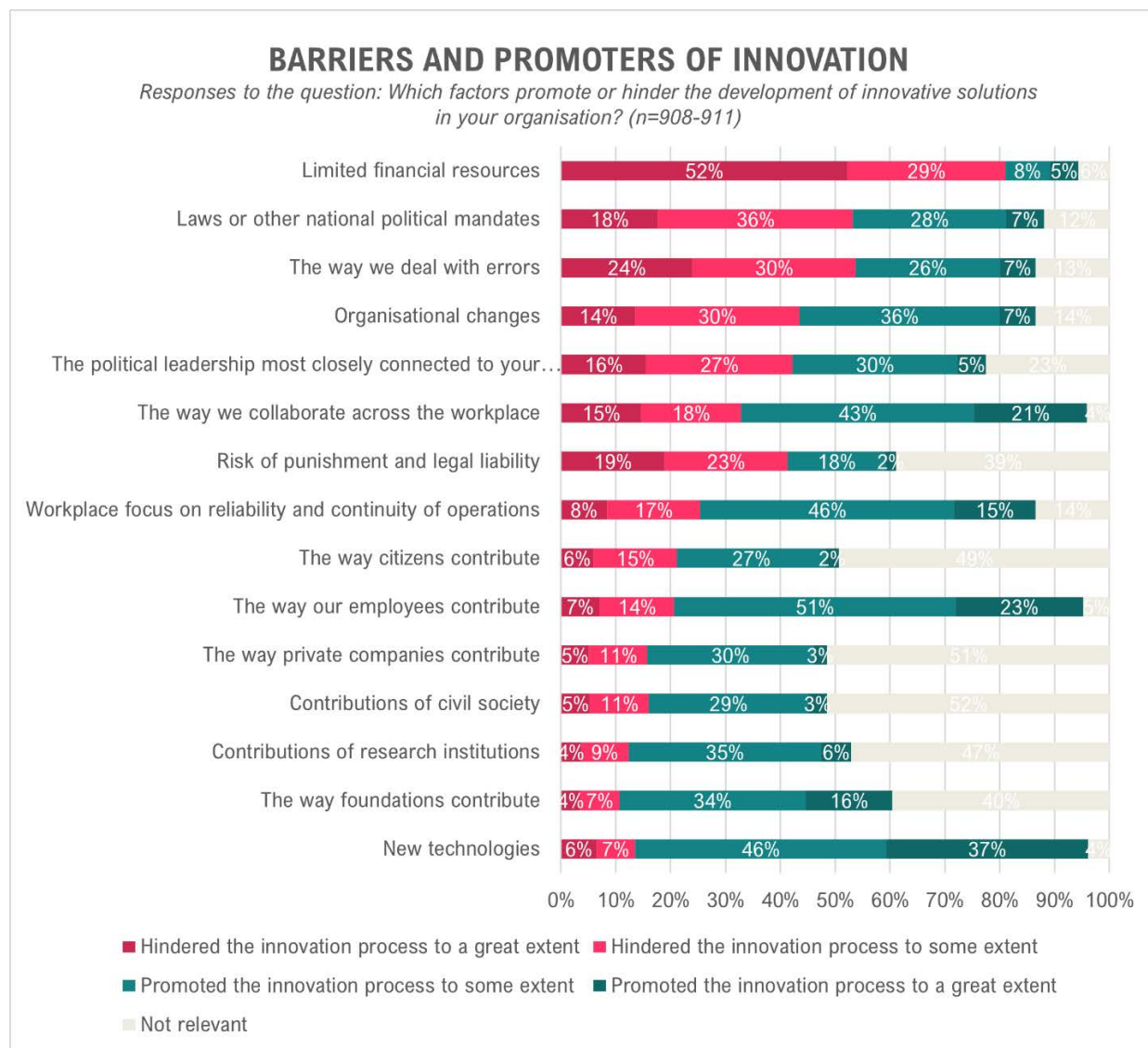
Source: (OECD, 2022[23]) and interviews and focus groups.

"People would be willing to innovate… But what you need for this is empowerment so that people will feel that they can do things." – Interviewee from this project

Systems level enablers: Political signalling and reform agendas are viewed as comparatively weak enablers of innovation, with 54% of surveyed public servants stating the political signals rarely or never enable innovative approaches, and 43% stating that public sector reform agendas never or rarely enable innovative approaches (see Figure 2.4. *Enablers of Innovation*) (OECD OPSI, 2023[8]). Given the number of strategic initiatives, this suggests issues relating to implementation and alignment of strategies may be obstacles.

The continued use of the State Chancellery's strategic planning guidelines may help promote the development of a strong vision for organisations which is tied to evidence, performance indicators and clear lines of responsibility to work plans, skills development, training etc. (see Box 2.12. *Examples of approaches to objective setting, measurement and accountability*) (Latvian State Chancellery, 2022[24]). The guidelines make clear the need for strategies to be linked to the daily life of organisations, with achievable goals, realistic activities, explicit resources and authorities for implementation and frequent performance monitoring. Furthermore, these guidelines include specific innovation indicators, including measures for activities involving innovative methods, solutions developed using innovative methods,

experimentation, engagement in innovation networks, skills development and budgetary allocations to innovation.

Figure 2.5. Barriers and promoters of innovation

BARRIERS AND PROMOTERS OF INNOVATION

Responses to the question: Which factors promote or hinder the development of innovative solutions in your organisation? (n=908-911)

	Hindered to a great extent	Hindered to some extent	Promoted to some extent	Promoted to a great extent	Not relevant
Limited financial resources	52%	29%	8%	5%	6%
Laws or other national political mandates	18%	36%	28%	7%	12%
The way we deal with errors	24%	30%	26%	7%	13%
Organisational changes	14%	30%	36%	7%	14%
The political leadership most closely connected to your…	16%	27%	30%	5%	23%
The way we collaborate across the workplace	15%	18%	43%	21%	4%
Risk of punishment and legal liability	19%	23%	18%	2%	39%
Workplace focus on reliability and continuity of operations	8%	17%	46%	15%	14%
The way citizens contribute	6%	15%	27%	2%	49%
The way our employees contribute	7%	14%	51%	23%	5%
The way private companies contribute	5%	11%	30%	3%	51%
Contributions of civil society	5%	11%	29%	3%	52%
Contributions of research institutions	4%	9%	35%	6%	47%
The way foundations contribute	4%	7%	34%	16%	40%
New technologies	6%	7%	46%	37%	4%

■ Hindered the innovation process to a great extent   ■ Hindered the innovation process to some extent
■ Promoted the innovation process to some extent   ■ Promoted the innovation process to a great extent
□ Not relevant

Source: (OECD OPSI, 2023[8])

Risk aversion, fear of punishment and dealing with errors all came up as challenges in interviews and focus groups. These factors were also perceived as barriers to many of those surveyed (see Figure 2.5). Similar challenges exist around the perception of audit amongst public servants. Rather than perceiving audit as an opportunity to identify topics for innovative initiatives, audit is seen as a barrier to innovation, with 43% of survey respondents indicating that audit and accountability frameworks are rarely or never an enabler of innovative approaches (OECD OPSI, 2023[8]).

> 54 % of public servants at the national level perceived "the way we **deal with errors**" as a hindrance to innovation. (OECD OPSI, 2023[8])

> *"You need to allow public servants to fail sometimes, and not punish them for that… it would be a really significant first step, and from there we can encourage them to start trying to do things." – Interviewee from this project*

Considerations for the Latvian public sector

The above findings showcase challenges in the enabling environment in the Latvian public sector that may dissuade or inhibit public servants from innovating. Enablers at the team, organisation and individual level are more prevalent: respondents noted that team environment (safe and open) and performance management approaches tend to allow for innovation to occur. Meanwhile, stronger barriers exist at the systems level including political leaders, the way failures and risk are managed, competing reform agendas, frequent organisational and institutional restructuring.

Based on the above analysis, the Latvian government may consider to:

- **Leverage the Innovation Network** founded in 2018 alongside the Innovation Laboratory to continue the **spread of innovative culture** while providing consistent resourcing to support the management and sustainability of the network (e.g., offering training to equip them to innovate in their organisations, using the network to disseminate innovative initiatives and lessons learned).

- **Establish domestic budgetary allocations specifically for a diversity of innovation activities;** encouraging innovative efforts that go beyond cost-savings (e.g., Funding innovation accelerators, prototyping or experiments).

- **Foster an environment where innovation is expected of employees and organisations through a clear innovation strategy tied to organisational and individual responsibilities and accountabilities for innovative behaviours** (e.g., ministerial mandates and individual performance objectives). At the individual level, this could be enabled by explicitly identifying 'innovation activities' – such as prototyping, piloting or impact measurement – within job families.

- **Create safe spaces for experimentation** where individuals do not need to bear the responsibility that may come from innovations that do not go as planned. Such spaces could include project incubators, regulatory sandboxes, innovation labs or innovation accelerators. The Experimentation Guidelines for the Latvian Public Sector can help to provide an initial framework on how to set up and execute experiments.

- **Build awareness at the political level of Latvia's adherence to the OECD Declaration on Public Sector Innovation** as well as the need for innovation in order to keep up to international norms and standards.

> *"When introducing innovations, it is necessary to take into account that they may not succeed as planned. In the state administration, constant criticism from the public, politicians and the media discourage people from risking something new … but you can't innovate without making mistakes." – Interviewee from this project*

Capacity for Innovation: What is needed to carry out innovative efforts and integrate them into everyday practice?

Summary: The Latvian public sector's capacity to innovate is enhanced by systemic supports such as access to EU funding, the recent Modernisation Plan and the Latvian Innovation Laboratory resilient staff mindsets and the Latvian Innovation Laboratory. However, a resource and capability gap for innovation remains (see Figure 2.7. Resources and capabilities for innovation). Persistent challenges include recruiting and retaining a skilled workforce in the face of competition from other sectors, ensuring the sustainability of funding sources, fostering cross-sectoral collaboration and improving the awareness and functionality of the regulatory, budgetary and legislative frameworks to be more supportive of innovation. A resourced and deliberate portfolio approach to innovation that allows for a broader range of initiatives – from those targeted at immediate improvements to supporting more transformative change – may help to address some of those issues.*

Workforce and skills: At the individual level, recruiting and retaining a highly talented public sector workforce is difficult in the Government of Latvia, although this may improve with the recent renumeration reform. However, in the current situation, research participants noted that the net zero component of the renumeration reform is resulting in understaffing and workload issues. This issue was also raised by the state audit office, which flagged that some institutions cannot afford to maintain their staffing levels and that the amendments provided in the renumeration reform will not solve all the renumeration problems in state administration (State Audit Office of the Republic of Latvia, 2022[25]; State Audit Office of the Republic of Latvia, 2021[9]).[4] While the introduction of innovative job families and forthcoming competency framework (part of the RRP) has acknowledged the need for public servants with different skillsets, recruitment and retention challenges associated with tight budgets and a desire to shrink the public sector workforce make it extremely difficult to sustain new initiatives (Cabinet of Ministers, 2022[26]) (State Audit Office of the Republic of Latvia, 2021[9]).

> **Only 21 %** of those surveyed indicated that **workforce planning**, including the recruitment of **diverse teams** representing a wide range of **backgrounds** and **skillsets** as always or often an aid to implementing new and innovative approaches. (OECD OPSI, 2023[8])

> *"Human resources are the most valuable resource of every organisation. The knowledge and skills of employees are an essential prerequisite not only for the high-quality performance of functions, but also for economic handling of material resources."* (State Audit Office of the Republic of Latvia, 2021[9])

While public servants participating in this research demonstrated an appetite for advancing skillsets and learning, limited funding has been committed to skills development and training making access to the latter difficult at times. For example, the Latvian School of Public Administration lacks consistent funding to provide a regular service offer to public servants – expanding the service of the school could be of great benefit to the public service (e.g., offering training in behavioural insights, user-centred design, experimentation, strategic foresight). There is also a question of impact of training programmes, for example, many public servants participated in the 'train the trainer' programme on design thinking at the Latvian School of Public Administration, however, the results remain uncertain on the effectiveness of implementing those skills in their home institutions.

> *"Changing existing mindsets and achieving significant change in the work of state administration is often hard without attracting new and qualified employees."* (State Audit Office of the Republic of Latvia, 2021[9])

Mindsets: Interviews and focus groups identified the importance – and existence – of resilient mindsets and entrepreneurial behaviours to navigate the challenging operating structures. Creating spaces for innovative activity will help to support innovative attitudes, such as those laid out in the OECD's innovation

skills framework such as data literacy, user-centricity, curiosity, storytelling and insurgency (OECD, 2017[27]).

> *"Latvians are creative, there are a lot of people with great ideas who in their heart want to change things… but the system as is very stagnant. We need to find a way to enable those people - and to change the culture … this is how we get more, better things done." - Interviewee from this project*

Portfolios of innovation: Currently, at the organisational level, innovation skillsets and capacities favour innovations focused on enhancement and adaptation, primarily aiming at cost and time savings and organised on an ad-hoc basis (OECD Observatory of Public Sector Innovation, 2021[28]). Targeting systems change and tackling more complex challenges remain rare, despite some initial efforts at the organisational level to build capacity for mission-oriented and anticipatory innovation (OECD, 2023[4]). For example, the Investment and Development Agency of Latvia (LIAA) has worked to expand the anticipatory function of its ecosystem approach (See Box 2.6. *Anticipatory and mission-oriented innovation in Latvia*).

Box 2.6. Anticipatory and mission-oriented innovation in LIAA

The Latvian Investment and Development Agency (LIAA) has been spearheading mission-oriented and anticipatory innovation approaches in Latvia. Mission-oriented innovation is an approach aimed at tackling measurable, ambitious and time bound targets that demands stakeholder collaboration from across sectors or organisational silos. Building capacity to use these approaches across Latvian public sector institutions will help to compliment more common uses of innovative approaches to enhance existing efforts and adapt to changing circumstances.

LIAA adopted "Mission Sea 2030" based on the EU Mission "Restore our Ocean and Waters by 2030"; working with actors across sectors to develop innovative solutions to improve clean water technologies, water innovation, water resource preservation technologies etc. Furthermore, work on the City to Sea: Mission Cities in Latvia has also provided an opportunity to fund urban mobility and water innovation projects through an innovation accelerator.

Anticipatory innovation governance can help governments to continuously identify, test and implement innovative solutions to benefit from future opportunities while reducing the risks through increased resilience of their public sector systems. In the area of Anticipatory Innovation Governance, LIAA has been working with the photonics ecosystem to implement anticipatory approaches such as horizon scanning to understand the possible change that will affect the smart materials and photonics industries: creating knowledge about the future to act on in the present.

Expanding these capacities across other institutions in Latvia will help to diversify the portfolio of innovative initiatives: creating lasting impact.

Source: (OECD, 2023[4]; Invest in Latvia, n.d.[29]; City to Sea, n.d.[30])

This tendency towards efficiency and cost savings came out clearly in a survey of Latvian public servants on the innovations occurring in Latvia (OECD Observatory of Public Sector Innovation, 2021[28]). This survey pointed to the fact that 52% of innovations targeted enhancement, 35% targeted both enhancement and adaptation while only 1% of innovations were considered anticipatory (future focused), 1% targeted at

tackling complex missions (mission-oriented innovation) and 5% purely aimed at enhancements (OECD Observatory of Public Sector Innovation, 2021[28]). These enhancements implied a tendency to focus on innovations that can improve efficiency, deliver better results, build on existing structures and upgrade practices rather than tackling more complex challenges or engaging with emerging shifts and trends before they become concrete (OECD Observatory of Public Sector Innovation, 2021[28]). A portfolio approach to innovation management would enable public sector leaders to ensure a wider range of innovative initiatives that together can tackle challenges, from simple to complex (across different levels of ambition, scale, and policy area, see Box 2.7. *Innovation portfolio management*).

Significant opportunities remain to expand capacity and supports in the areas of mission-oriented and anticipatory innovation (See Box 2.6: *Anticipatory and mission-oriented innovation in Latvia*).

Box 2.7. Innovation portfolio management

A portfolio approach to innovation means pursuing multiple efforts to achieve goals simultaneously, aiming to connect and orient diverse and multi-faceted innovation activities according to an overall strategy.

This approach has a number of benefits for public sector leaders:

- It recognises the inherent uncertainty of success in any individual project and encourages a wider range of potential projects to be pursued which helps leaders to adopt a more nuanced approach to risk management.
- It can help public sector leaders to identify and exploit synergies between different related innovation activities (for example, where a procedural innovation may be required to support a new technological innovation).
- It creates room for public sector leaders to take a diverse approach to activities and therefore reflect different facets of an innovation (for example, *mission-oriented:* tackling complex challenges or missions, *anticipatory:* making sense of the future and acting on it in the present, *adaptive:* responding to changing circumstances and evidence, and *enhancement-oriented:* aimed at improvement or increased efficiency).

The Finnish Public Innovation Fund, Sitra, has established a portfolio approach to innovation investments which blends a range of strategic goals and pain points to target through innovative initiatives. Furthermore, this approach helps lump projects tackling similar challenges which could otherwise not be tackled in a single project.

The City of Chicago Office of Innovation was established to provide a systemic overview of innovations; tracking ideas, progress, failures and to enable continuity in innovation processes despite changes in political administration.

Sources: (OECD, 2022[31]; OECD Observatory of Public Sector Innovation, 2021[32]; Sitra, n.d.[33])

Collaboration across sectors and between public sector organisations

The Government of Latvia has adhered to the OECD Recommendation on Open Government which emphasises the importance of open government for building citizen trust, public service modernisation, innovation etc. and commits the government to "grant all stakeholders equal and fair opportunities to be informed and consulted" (OECD, 2017[34]). Moreover, it highlights the importance of government transparency in public decision-making and access to information to ensure citizens and stakeholders are

aware of opportunities to be actively involved in decision making (OECD, 2017[34]). Fully implementing this recommendation could help to improve the use of collaborative approaches when designing and implementing innovative solutions.

This research revealed that collaboration across sectors and between public sector organisations can be an enabler for innovation in Latvia, however, participating public servants noted challenges in knowing who, how, and when to engage. For example, 33% of survey respondents noted the contributions of civil society as a promoter of innovation, 33% noted contributions of private companies as a promoter, 50% noted contributions of foundations and 41% the contributions of research institutions (see *Figure 2.5: Barriers and promoters of innovation)*. What was concerning however is that nearly 50% noted that the contributions of citizens, private companies, research institutions and civil society as "not relevant" to the development of innovative initiatives (see *Figure 2.5: Barriers and promoters of innovation)*.), highlighting a potential lack of recognition of the fundamental role that these groups play in many innovation processes, as both users and collaborators, or to a lack of awareness of how these groups are engaged in innovation activities.

Participants cited a lack of time and understanding of how to meaningfully engage stakeholders as a challenge in the innovation process. The OECD Citizen Participation Guidelines (2022) provide examples of participation methods which could be applied in Latvia, including open meeting and town hall meetings, public consultations, open innovation methods (crowdsourcing, hackathons, public challenges), civic monitoring, participator budgeting and representative deliberate processes. (OECD, 2022[35])

One example of a collaborative platform used regularly in Latvia to gather input from stakeholders is the [TAP Portal for Draft Legal Drafts,](#) aimed at harmonising the development of laws and administrating the input gathering process (Cabinet of Ministers: Republic of Latvia, 2021[36]). The portal provides administrative simplification, checks and balances, public consultation and improved operationalisation and usability of laws. Other examples in Latvia and internationally can be found in Box 8. *Partnerships across sectors.* Furthermore, within institutions themselves, on 63% of survey respondents noted collaboration across the workplace to be a promoter of innovation (OECD OPSI, 2023[8]).

Box 2.8. Partnerships across sectors

Innovation often demands collaboration across sectors to ensure that solutions are developed based on cutting edge knowledge, technology and best practices.

The **Innovation Laboratory** has launched a [programme](#) where public servants can shadow business representatives to better understand how legislation and regulations impact them. This enables direct feedback on the functionality and impact of regulations. In 2020, more than 40 companies were visited by representatives of 25 public authorities.

Another example is the **LAMPA democracy and conversation festival**, held annually since 2015. It is a new (innovative) tradition in Latvia that provides safe environment for private and public sector stakeholders, citizens and foreign experts to gather in a festival format to discuss and debate topics related to democracy. Topics include policy making, education, civic governance, ethics, inclusion, culture and the future of democracy itself. As it takes place outside the formal institutions and is enriched with a culture and arts program it has been a revolution in the way how diverse stakeholders can provide feedback and build the culture of trust.

International examples of fostering collaboration to support innovation include:

- **Slovenia's Partnership for Change** aimed at enabling knowledge transfer and build partnerships between sectors. This partnership is based on a cross-sectoral membership programme (350 employees from public administration with 55 companies) where mentorship pairs work to tackle major challenges using an agile approach.
- **Chile's GobLab** has extended membership of their public innovator's network to more than 16,000 members across sectors. This public-private network provides networking opportunities and training which enables the decentralisation of innovative activities and building of innovative capabilities. The network composition is 71% public sector, 14% civil society, 11% academia and 4% private sector.
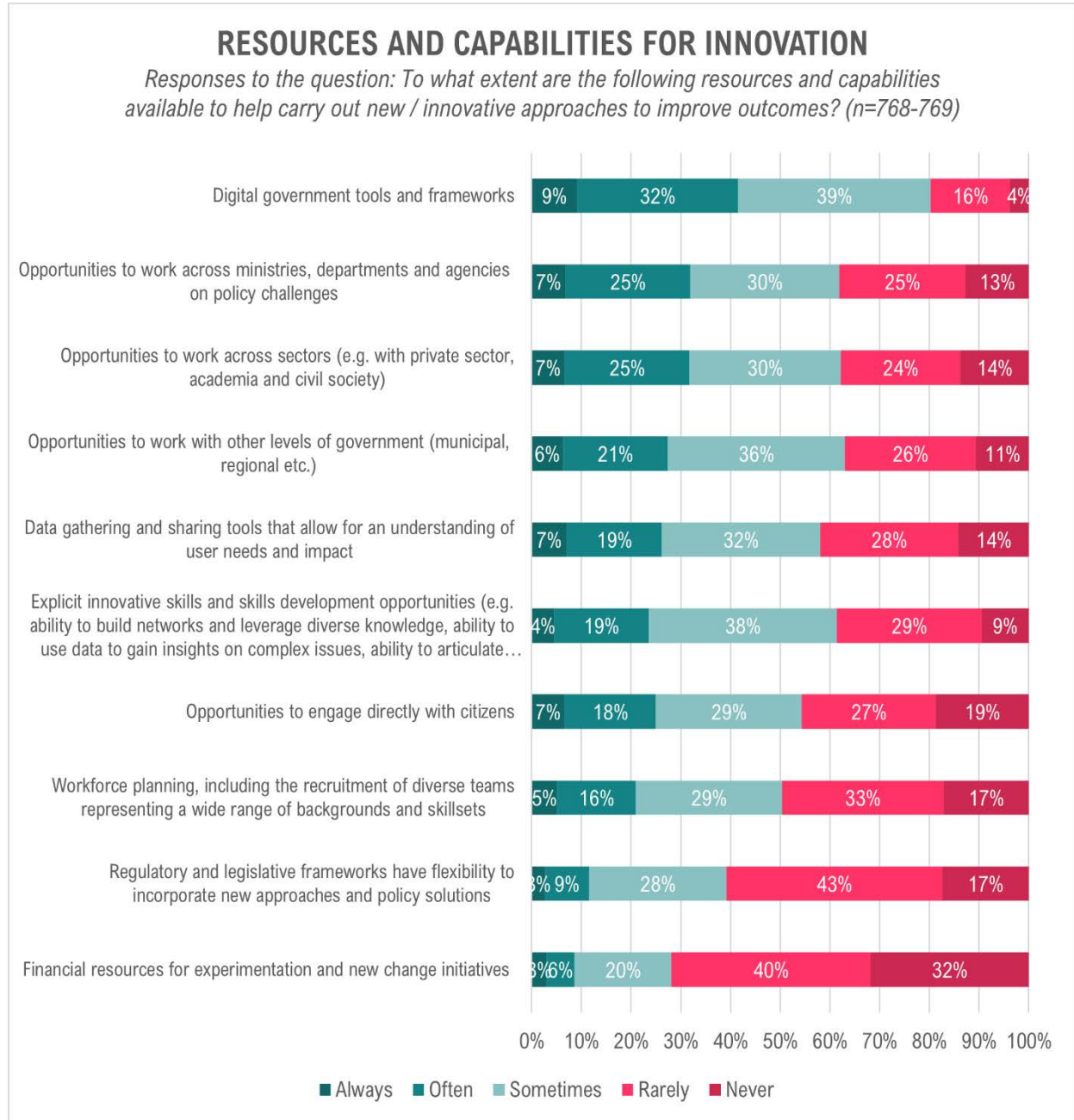
Sources: (GobLab Chile, 2018[37]; OECD Observatory of Public Sector Innovation, 2022[17]; Festivals Lampa, 2023[38]).

Funding and EU projects: There is significant funding available for ad-hoc innovative initiatives and projects. However, sustainability and continuity of resources for directed portfolio of innovative activities is lacking in Latvia. This challenge was evidenced in the survey which indicated that financial resources for experimentation and change initiatives was raised as one of the strongest resource and capability gaps for innovation. 72% of those surveyed indicated the availability of funding to carry out new and innovative approaches as a barrier to innovation (OECD OPSI, 2023[8]).

Dedicating domestic budgets and funding to innovation can help support a deliberate and directed portfolio of innovative activities, linked to measurable and reportable goals. While external funding for innovative projects is a key asset, a lack of funding for consistent staff resourcing can lead to heavy workloads and issues with sustainability (European Commission, 2023[39]; European Commission, n.d.[40]; European Commission, 2022[5]; European Commission, 2022[20]). The Modernisation Plan provides an opportunity to more sustainable resourcing for innovative initiatives which are directly tied to clear strategic priorities over a multi-year period. This will enable some direction and continuity and can demonstrate the potential for a resourced innovation strategy.

"There is a fixed amount of resources needed to ensure proper functioning of government and we barely have that. It leaves little room for trying new things because we're always focused on reducing expenditures but not any other corresponding cuts." – Interviewee from this project

Figure 2.6. Resources and capabilities for innovation

RESOURCES AND CAPABILITIES FOR INNOVATION

Responses to the question: To what extent are the following resources and capabilities available to help carry out new / innovative approaches to improve outcomes? (n=768-769)

	Always	Often	Sometimes	Rarely	Never
Digital government tools and frameworks	9%	32%	39%	16%	4%
Opportunities to work across ministries, departments and agencies on policy challenges	7%	25%	30%	25%	13%
Opportunities to work across sectors (e.g. with private sector, academia and civil society)	7%	25%	30%	24%	14%
Opportunities to work with other levels of government (municipal, regional etc.)	6%	21%	36%	26%	11%
Data gathering and sharing tools that allow for an understanding of user needs and impact	7%	19%	32%	28%	14%
Explicit innovative skills and skills development opportunities (e.g. ability to build networks and leverage diverse knowledge, ability to use data to gain insights on complex issues, ability to articulate…	4%	19%	38%	29%	9%
Opportunities to engage directly with citizens	7%	18%	29%	27%	19%
Workforce planning, including the recruitment of diverse teams representing a wide range of backgrounds and skillsets	5%	16%	29%	33%	17%
Regulatory and legislative frameworks have flexibility to incorporate new approaches and policy solutions	3% 9%		28%	43%	17%
Financial resources for experimentation and new change initiatives	3% 6%		20%	40%	32%

(OECD OPSI, 2023[8])

Governance frameworks: The majority of public servants surveyed perceive laws, procurement, and regulatory rules as barriers to innovation. In particular, 61% of those surveyed indicated there was a lack of flexibility in regulatory and legislative frameworks for innovation, and procurement was one of the most commonly mentioned issues in focus groups (OECD OPSI, 2023[8]). Participants noted that in some cases,

the biggest issue may be actually understanding how innovative initiatives can be conducted within existing regulatory and procurement frameworks, rather than the frameworks themselves.

Data sharing, IT and digital infrastructure: Digital government tools and frameworks were identified as the strongest resource/capability support for innovation, with 80% of survey respondents indicate these as always, often or sometimes a support for carrying out new and novel approaches (see Figure 2.6: Resources and capabilities). The recent consolidation of IT infrastructure may make it easier to have access to the necessary tools needed for innovative initiatives. Moreover, a centralised model makes it easier to collaborate with other institutions in designing and implementing innovations.

Institutionalisation of Innovation: Latvia's adherence to the OECD's Declaration on Public Sector Innovation, in addition to the creation of an Innovation Laboratory in the Latvian State Chancellery, are significant steps. The creation of an innovation strategy and action plan, with explicit measurement indicators, clear responsibilities and dedicated resources for implementation will help to provide capacity for innovation across the entire public sector (see Box 2.9. *Public sector innovation strategies: The example of Ireland*).

Box 2.9. Public sector innovation strategies: the example of Ireland

Public sector innovation strategies can help to steer a portfolio of innovative efforts to strategically deliver on a government's priorities and goals while ensuring continuity of services. Innovation strategies should tie innovation efforts to a key vision, linking efforts to clear incentives and individual and organisational level responsibilities, defining key success metrics such as clear outcome and impact measures and developing a clear communication and implementation plan to ensure the strategy's implementation (backed with resourcing).

Innovative efforts in Ireland are guided and steered by the Government of Ireland's innovation strategy: Making Innovation Real – Delivering Today, Shaping Tomorrow. The strategy sets a clear vision for innovation and lays out four key priorities:

1. Citizen-centric innovation
2. Culture of innovation
3. Scale-up innovation
4. Transformative innovation

A number of key elements have been included in the strategy to guide its implementation:

- Clear mapping of the vision to priorities, goals, actions, rationales and success criteria.
- A nominated body (Innovation Division of the Department of Public Expenditure and Reform) responsible for its implementation and frequent progress review through the Public Service Reform and Development Framework.
- An innovation canvas aimed to help organisations identify initiatives to bring innovation to life, mapped to key priority areas.
- An innovation snapshot tool aimed at helping public service bodies assess their innovation maturity.
- Accompanying implementation guidance to help public sector organisations translate the strategy into action in their organisations (e.g. by establishing organisational level innovation strategies or to guide their innovative efforts).

Source: (BCG, 2018[41]; Government of Ireland, 2020[42])

The role of the Innovation Laboratory in enhancing innovative capacity

The Innovation Laboratory has played a key role in supporting the Innovation Network and the use of design thinking methods in Latvia since its inception in 2018. It was founded to increase public sector innovation by supporting skills development and innovative practice across the public sector. With funding from the Recovery and Resilience Funds (European Commission, n.d.[40]), the Laboratory has a key opportunity to refine, define and communicate a clear service offer which links to the strategic priorities of the Latvian government (see Box 2.10. *Innovation in the National Recovery and Resilience Plan*).

However, the Laboratory has faced staff shortages and resourcing issues since its creation in 2018. This has prevented more continuity in the Laboratory's service offer and impacted on the range of activities and support it has been able to offer. While most innovation laboratories have a staff base of at least four (some ranging up to twenty – see Box 2.11. *Staffing of Innovation Labs*) the Innovation Laboratory in Latvia has only had one or two staff members. Funding from the RRP will help to increase staffing for the Innovation Laboratory in the short term (until 2025), but longer-term resourcing is uncertain, risking the labs long-term sustainability.

Box 2.10. Innovation in the National Recovery and Resilience Plan (RRP)

The RRP includes a number of key activities to improve the capacity of the Innovation Laboratory to support the development of innovative skills, initiatives and activities across the Latvian Public Sector and surrounding ecosystem. There are four key components aimed at building capacity:

1. **Improving the legal framework for the innovation ecosystem**: strengthening the role of the innovation laboratory as an operational supporter of the ecosystem, paired with legal acts to facilitate the application of innovation methods and design thinking in procurement.

2. **Strengthening the role of the Innovation Laboratory and solidifying the service offer**: Equipping the Innovation Laboratory with permanent staff and a physical space with necessary resources. Furthermore, the lab offers three key services: organisation and management of design thinking sprints, pilot development support and innovation and consultative support for the application of innovative methods. The design sprint process has already begun with a call for ideas and selection of projects including citizen understanding of tax declarations, re-imagining standards of higher education and cadastral systems.

3. **Skills and competency development**: Developing and implementing design thinking sprints, a training programme for management and innovation experts and experience exchange opportunities with innovation labs across countries.

4. **Communication activities**: The establishment of communications activities related to innovation sprints, dissemination of results of pilots, clarity of information and adoption of good practices. The lab will also organise innovation awards at the end of the project.

These activities will help to solidify the role of the lab, while enabling access to resources during the implementation period (until end of July 2025).

Source: Latvian State Chancellery (2023).

> ### Box 2.11. Staffing of Innovation Labs
>
> The effectiveness and longevity of innovation labs depends extensively on positioning, leadership, resources and staffing. Without these elements, in particular, a consistent workforce, innovation labs are unlikely to achieve their desired impact.
>
> Small innovation labs benefit from a high degree of agility and relatively limited scrutiny and oversight in comparison to large innovation labs:
>
> - The Estonian Innovation Team has a core staff of four (human resource, design and tech backgrounds)
> - The Belgian NIDO Lab has a staff of six (fluctuating), with heavy reliance on interchanges and doctorate students.
> - UNDP Accelerator Labs are consistently comprised of three staff: head of experimentation, head of exploration and head of solutions map.
>
> Larger innovation labs benefit from the possibility to run much more extensive, and a larger volume of projects and business lines.
>
> - LabX Portugal has grown to a core staff of eight including engineers, communications experts, mathematicians and technical experts.
> - Chile's Laboratorio de Gobierno has grown from an initial structure of only a few staff to a staff of 21 as it continues to expand its reach and operations.
> - Impact Canada, which runs a challenge-based innovation and behavioural insights programme has a core team of approximately 20 people in addition to recruiting innovation fellows who are deployed directly in ministries.
> - Policy Lab UK has a team of 16 including a mix of designers, researchers and policymakers.
>
> Source: OECD Observatory of Public Sector Innovation - direct interviews and engagement with innovation labs.

The innovation laboratory in Latvia is still in its early years and staffing shortages have made it difficult for the lab to secure visibility and sustainability in the Latvian public sector. Long-term funding, leadership support, a clear communications strategy, an explicit service offer, and consistent staffing will help the lab build its reputation and stability. The survey from this project clearly demonstrated the lack of awareness of the majority of public servants of the presence of the lab and an even greater lack of involvement of public sector staff in the lab's operations (Figure 7). 60% of respondents had never heard of the lab and only 5% indicating that they have seen some of the lab's work (OECD OPSI, 2023[8]). Respondents had a difficult time indicating what and how they would like to see the lab grow and improve due to a lack of awareness of the lab's activities. Those involved in workshops and focus groups recognised the importance of the Innovation Network and design thinking training, but they noted that it is often difficult to translate learnings into action within their respective ministries.
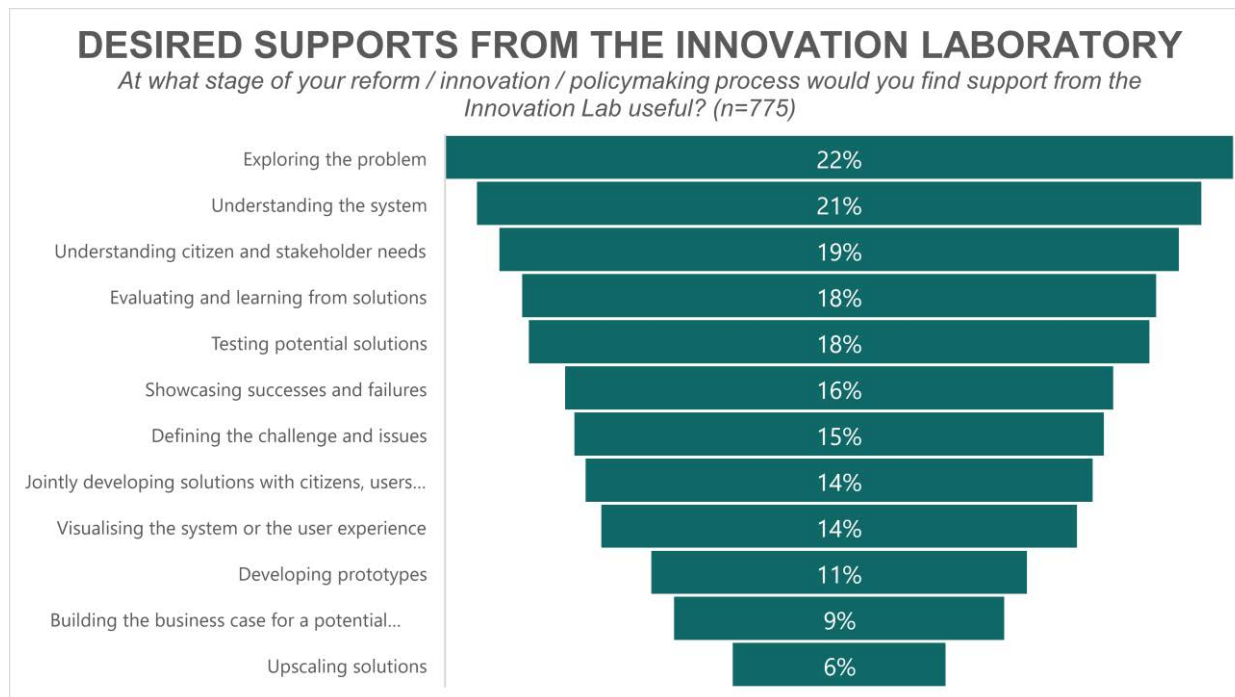
Figure 2.7. Awareness of the Innovation Laboratory

AWARENESS OF THE INNOVATION LABORATORY

Responses to the question: What is your level of awareness of, and interaction with the Innovation Lab within the Latvian State Chancellery? (n=769)

- **60.21%** — I have never heard of it
- **33.42%** — I have heard of its existence, but never interacted with it
- **4.81%** — I have seen some of their work
- **1.56%** — Other
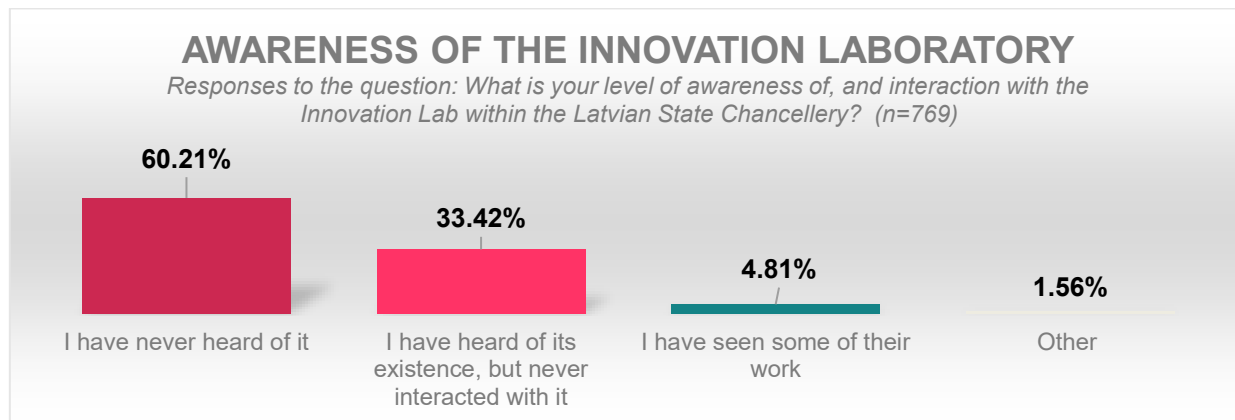
Source: (OECD OPSI, 2023[8])

In the majority of cases, respondents did not indicate a specific need for assistance from the Laboratory (OECD OPSI, 2023[8]). Figure 8: *Desired supports from the Innovation Laboratory,* represents the areas in which respondents were interested in support from the innovation lab. With the most popular areas being exploring the problem (22% indicating interest), understanding the system (21%) and understanding citizen and stakeholder needs (19%).

> *"The Chancellery and Lab need to sit down and determine their vision for the lab, then make concrete decisions." – Interviewee from this project*

Figure 2.8. Desired supports from the Innovation Laboratory

DESIRED SUPPORTS FROM THE INNOVATION LABORATORY

At what stage of your reform / innovation / policymaking process would you find support from the Innovation Lab useful? (n=775)

Stage	%
Exploring the problem	22%
Understanding the system	21%
Understanding citizen and stakeholder needs	19%
Evaluating and learning from solutions	18%
Testing potential solutions	18%
Showcasing successes and failures	16%
Defining the challenge and issues	15%
Jointly developing solutions with citizens, users...	14%
Visualising the system or the user experience	14%
Developing prototypes	11%
Building the business case for a potential...	9%
Upscaling solutions	6%

Source: (OECD OPSI, 2023[8])

Considerations for the Latvian public sector

This analysis highlights a number of opportunities to improve the capacity of the public sector to carry out and embed change. In particular: providing consistent domestic funding for innovative projects (i.e., piloting, implementing an innovation strategy, supporting the Innovation Laboratory) can support continuity beyond electoral and EU project cycles; adopting a portfolio approach to innovative initiatives will help to balance risk and ambition while aiming to meet key strategic objectives; cementing the role of the Innovation Lab as an important implementation partner will facilitate improved collaboration and knowledge sharing.

Based on the above analysis, the Latvian government may consider to:

- **Link the work of the Innovation Laboratory to the Government's key strategic priorities,** including the Modernisation Plan and other key strategic documents (Sustainable Development Strategy, National Development Plan) and develop a strong communication, engagement and dissemination approach for the Laboratory which engages relevant stakeholders and communicates clearly the impact of the Laboratory's work (e.g., innovation demonstration cases for key modernisation plan areas, flagship projects linked to Government priorities).

- **Increase dedicated funding and resourcing for the Innovation Laboratory** to ensure its sustainability, ability to deliver on key objectives and priorities and capacity to support the innovation agenda in alignment with key Government priorities.

- **Leverage the role of the Innovation Laboratory as a training body and convener to enhance relationship between auditors, regulators, procurement specialists and public servants** and educate them in finding opportunities and flexibilities for innovation in these frameworks (e.g. through mechanisms such as working groups, workshops and opening of communications channels, exposure and training on international best practices).

- **Create interdisciplinary teams and working groups** that blend knowledge in procurement, regulation, policy and service design to identify how innovations can be implemented within existing public governance frameworks and to identify where frameworks need to be changed.

- **Support employees' desire to learn and build their skillsets by enhancing training opportunities available through Latvian School of Public Administration and Innovation Laboratory and improving the efforts of human resource professionals to increase awareness and facilitate access to training** (including providing sustained resources to these organisations), ensuring that training opportunities are regularly assessed to ensure their impact (e.g. training to technical experts, policy designers, procurement specialists on topics such as user-centred design, innovative workforce management, innovative procurement).

- **Build on workforce development opportunities stemming from the renumeration reform, forthcoming competency framework and creation of innovative job families** to build a diverse public sector workforce: recognizing that a net-zero approach risks leading to work overload, burnout and retention issues.

- **Develop and test experimental funding mechanisms** to fund experiments and prototypes in a safe space to diversify the innovation portfolio and close the gap on financing for innovative initiatives (see Box 2.4. *Innovative pilot projects and sandboxes*). Support projects that go beyond enhancement and cost-cutting, such as implementing the experimentation guidelines and creating specific spaces for new ideas to be developed, tested and implemented.

- **Continue efforts in the area of data interoperability, IT interoperability and data sharing** to enable cross-cutting innovations.

Impact of Innovation: How is the impact of innovative efforts understood and fed into future practice?

Summary: Over the past decade, a strong emphasis has emerged on introducing key performance indicators for strategies and initiatives which is promoting a culture of measurement and performance in the Latvian public sector (Reinholde, 2015[43]). *In particular, the use of performance-based budgeting has reinforced the importance of performance in both outcomes and outputs. While this has enabled efforts to be linked to key outcomes to society and priorities of the government, a tendency remains to promote status quo solutions rather than searching for ones that are more effective or optimal. Furthermore, participants noted difficulties in finding the right measures to assess effectiveness and impact of policies and services, particularly understanding how to use evidence and data throughout all stages of policy and service design cycles rather than at the beginning and end of planning and budgetary cycles. Improved impact measurement of government policies, throughout the entire policy cycle, will help to identify opportunities for innovation when policies and services that are not meeting citizen and user needs. Furthermore, explicit tools and skills to measure the impact of innovations are largely absent. Finally, creating more opportunities to share learnings from evaluations and experiences of innovating could help support the scaling and spreading of successes and learning from failures.*

> *"You need to be able to say something doesn't work and terminate it." – Interviewee from this project*

Performance based budgeting

Research participants have noted that a strong emphasis on KPIs in decision making, such as through performance-based budgeting in Latvia, is encouraging a culture of performance and measurement in the Latvian public sector. The use of performance-based budgeting in priority measure areas aims to link policy measures to policy goals, measurable results and communicable progress (Ministry of Finance of the Republic of Latvia, 2021[44]). Performance budgeting can help to shift away from a focus on inputs towards a focus on outcomes and results in achieving key policy objectives (OECD, 2019[45]). The Latvian budgetary processes have performance information embedded into all stages of budgeting (Latvian State Chancellery, 2021[46]):

-   Annual spending reviews: e.g., assessment of previous outputs (operational performance indicators), outcomes (policy performance indicators) and costs

-   New spending measures and initiatives: e.g., setting specific and measurable objectives, expected operational performance indicators (outputs) and policy performance indicators (outcomes).

-   Budgetary requests and parliament: e.g., policy and resource management scorecards that assess goals, policy performance indicators, operational performance indicators and quality indicators

-   Post-parliamentary adoption: e.g., spending mapped to outcomes and outputs

Since 2016, "score cards" have been introduced in Latvia's annual budget process to help understand the linkage between resource allocation, policy goals and outcomes (Ketners, 2020[47]). Furthermore, changes in the budgetary system over the past decade have involved an increasing emphasis on review of achieved results (Ketners, 2020[47]). When reporting on state budget execution, institutions have to explain any deviations that exceed 15% (positive and negative) from planned performance indicators (Ministry of Finance of the Republic of Latvia, 2021[44]). This approach helps to measure and communicate results and to provide results to citizens on how the state budget is delivering results (Ministry of Finance of the Republic of Latvia, 2021[44]).

While performance-based budgeting could allow for more strategic spending, focus on efficiency and effectiveness, horizontal financing and prioritisation of key focus areas (OECD, 2019[45]), research participants from focus groups and interviews noted concerns that tying budget to performance has resulted in targets which are at times restrictive rather than ambitious and encouraging of innovation and bold, ambitious goals. The strict nature of performance-based budgeting, which can produce harsh consequences for unintended outcomes, may also make public servants less motivated to test new approaches that could produce greater impact but may also result in failures or unintended consequences. Research to date on performance-based budgeting has shown that many countries have gradually shifted towards performance-informed, rather than performance based budgeting, while others use it as a means to classify decisions taken in budget formulation rather than a strict decision making mechanism (OECD, 2019[45]). Participants from this research suggested that KPIs are also not always sufficiently ambitious and only 48% of survey respondents reported that they continue to prioritise identifying better solutions over day-to-day solutions (OECD OPSI, 2023[8]). There is a concerning perception that the linking of future budgets with performance against KPIs has led to the use of easily achievable, relatively unambitious KPIs due to fears of losing budgets or possible reputational risks.

There are opportunities to explore more flexible frameworks for KPI setting that create room for more ambitious goals, more flexibility for unintended results, or that enable a more nuanced approach to accountability management that recognises and rewards a greater appetite for risk within defined innovation priorities are policy areas (see Box 2.12. *Examples of approaches to objective setting, measurement and accountability*). Public servants need to believe that bolder goals are achievable, however, they still need to be radical enough to push the imagination of what is possible (Intrafocus, 2018[48]). To create space to find new solutions to reach more ambitious goals, future budgets should be informed, but not directly linked to the achievement of these targets.

> *"People are afraid or not willing to put bigger goals than those they can actually achieve, because not achieving them in governmental level is a failure. Sometimes you can get fired as a result, or get less budget. It's an important thing that government tell institutions and ministers that it's okay to achieve 70%, for example, of your goals."* – Interviewee from this project

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Box 2.12. Examples of approaches to objective setting, measurement and accountability

Ambitious and measurable objectives can help prompt transformative innovation and support public sector leaders to prioritise activities and demonstrate results, while nuanced approaches to accountability can help to navigate uncertainty and risk.

KPI setting:

There are many ways to set KPIs that allow for flexibility and innovation. For example, one approach is 'Objectives and Key results' (OKRs), a widely used performance management method that combines longer-term ambitious aspirations ('Objectives') with shorter-term measurable impact ('Results') (OECD Observatory of Public Sector Innovation, 2022[17]; Bain & Company, 2023[49]; Panchadsaram, 2021[50]). This approach helps to ensure leaders avoid setting objectives which lack ambition. These objectives and results are then monitored and adapted frequently, enabling leaders to respond to change and uncertainty inherent in innovation (Prince, n.d.[51]). This ability to track and adapt KPIs is particularly useful given the inherent uncertainty when testing new ways of working for the first time. This approach was developed in the private sector but is used by various teams in the UK Government and LabX Portugal amongst others (OECD Observatory of Public Sector Innovation, 2022[17]).

> **Accountability within more adaptive results frameworks:**
>
> There is a tension between more adaptive KPIs that respond to the changing context of innovation, and the need for systems in place to ensure individual or organisational accountability for actions and results over time; how can people be held accountable for objectives that change? Adaptive management approaches, more commonly used in the development sector, can increase the agility, utility and capacity to navigate uncertainty (Malhotra, 2023[52]). However, mechanisms to support accountability within adaptive management approaches should be designed to ensure rigour and explicitly address this tension between accountability and adaptability, even within a more flexible framework (ODI...). For example, managers can ensure that there are pre-planned periodic reviews, reviews involve relevant diverse stakeholders including senior management, all reviews and subsequent adaptations are documented, including the rationale for any decisions, and that the data types and sources used to inform reviews are of high quality and include objective indicators where possible (Ramalingman, 2019[53]; Rogers, 2020[54]). Organisation-wide accountability frameworks can also be designed to foster a culture of innovation. For example, Canada's Management Accountability Framework is explicitly used to score organisations on committing resources to innovation, generating evidence to support innovation, and innovating for impact.
>
> Source: (Government of Canada, n.d.[55]; OECD Observatory of Public Sector Innovation, 2022[17]; OECD, 2017[13]; Panchadsaram, 2021[50]; Prince, n.d.[51]; Rogers, 2020[54]; Malhotra, 2023[52]; Panchadsaram, 2021[50]).

Policy evaluation and user insights

The overall approach to policy evaluation and performance measurement is evolving in Latvia: 69% of respondents indicated that their organisations regularly evaluate the impact of policies and services (see Figure 2.9. *Understanding impact)*, and performance measurement is taking a place of increasing prominence in recent strategies (e.g. Smart Specialisation Strategy, Modernisation Plan) (Latvian State Chancellery, 2023[6]). Evaluation practices are considered to be highly transparent, ranking above OECD averages for transparency (OECD, 2021[56]). However, to improve the impact of policies and public services, there are a number of areas which stand to be improved, including the use of more cyclical policy design (where user input and evidence is constantly gathered, goals constantly revisited and services improved) and increased access to tools and training on user-centred service design, policy evaluation and performance measurement (Japanese Ministry of Economy, 2021[57]).

The Government of Latvia has adhered to the OECD *Recommendation of the Council on Public Policy Evaluation,* which recommends the promotion of quality policy evaluations and ensure that public policy evaluations impact decision making (OECD/LEGAL/0478, 2022[58]). This Recommendation highlights the importance of building provisions for evaluation in from the start of an intervention, engaging stakeholders to create ownership for change and trust in results, and build public skills for evaluation (OECD/LEGAL/0478, 2022[58]).

Latvia currently does not meet all of the standards of this recommendation as policy evaluation remains poorly institutionalised, quality not assessed and usage remains minimal extensive guidance. The majority (61%) of survey respondents indicated that their organisations systemically examine whether solutions are useful (see Figure 2.10. *Learning and reflective practices*). However, 42% of survey respondents indicated an absence of data gathering and sharing tools that allow for an understanding of user needs and impact (see Figure 2.9. *Understanding impact*) (OECD OPSI, 2023[8]).

Much of the guidance on evaluation, such as that in the *Rules for the development of impact assessments of development planning documents* and the *Guidelines on strategic planning and strategy development*

focuses on assessing impact in strategic and policy planning, and not necessarily on delivery of policies and services (Latvian Chancellery, 2022[59]; Latvian Cabinet of Ministers, 2014[60]). In the case of the *Rules for the development of impact assessments of development planning documents*, the developer of the document is responsible for evaluating the impact of the policy on the areas of social impact, macroeconomic environment, development of territories, government budgets, legal norms and international obligations, the environment, and human rights (Latvian Cabinet of Ministers, 2014[60]). This impact assessment is meant to be conducted in the early stages of policy development, at the mid-term and at the end; pointing to evidence that evaluation does occur at various stages of the policy cycle (Latvian Cabinet of Ministers, 2014[60]). However, those who conduct these evaluations often do not have specific training in how to do so.

What is most concerning from this research is that 25% of respondents felt that their organisations rarely or never designed policies, evaluations, and decision-making based on user experience, citizen insights, and data (see *Figure 2.9. Understanding impact*). Discussions with focus group and interview participants pointed to a need for more tools and skills to gather evidence on user needs and impact through all stages of the policy cycle (e.g., on a more cyclical basis). The availability of data and evidence was also flagged as an issue by focus group participants. Introducing an agile policy development model, which embeds user insights cyclically in policy and service design and implementation could help improve the use of user data, such as Japan's agile governance model. Furthermore, the OECD Regulatory Policy Outlook noted a specific gap in ex-post evaluations of regulations in Latvia which fell significantly below the OECD average; highlighting a need to better examine the impact of regulations (OECD, 2022[61]).

Performance measures

Performance measures were established in Latvia through the 2008 White Paper: *Guidelines for the results and performance indicators system* and the 2006 White Paper: *Development of the Policy Planning System* (Reinholde, 2015[43]; Cabinet of Ministers, 2008[62]; Pārresoru koordinācijas centrs, 2006[63]). These original documents aimed to the use of results and performance indicators in policy planning, monitoring and evaluation and to clarify how evaluation fits into the planning cycle (Reinholde, 2015[43]; Cabinet of Ministers, 2008[62]; Pārresoru koordinācijas centrs, 2006[63]). However, in the absence of resources and skills to set effective indicators, and source of meaningful data and evidence, focus was quickly placed on outputs (Reinholde, 2015[43]). This focus on outputs is slowly shifting as many strategies are including increasing measures on effectiveness and impact - the effectiveness and value of such indicators to inform decision making and improve policy outcomes should be studied further (Reinholde, 2015[43]; Latvian Chancellery, 2022[59]; Latvian State Chancellery, 2023[6]).

For example, the State Administration Modernisation Plan 2023-2027 sets out a number of ambitious goals, including that 70% of state institutions will have adopted an innovation by 2027. In order to monitor if this objective is met, an investment in the measurement, monitoring and sharing of innovative efforts will be required (Latvian State Chancellery, 2023[6]). Overarching strategies such as the Modernisation Plan could catalyse collaboration across government to collectively develop cross-cutting performance measures and cyclical approaches to policy evaluation where evaluation and understanding of user insights is embedded in all stages of the policy cycle.

> *"In the Latvian government [it] is not very common for us to have a systemic review on the outcomes of such processes… we do this output measuring but the outcomes measuring is not widely distributed." – Interviewee from this project*

Based on the requirements in the budgeting process (setting specific and measurable objectives, expected outputs and outcomes) and rules on the development of planning documents there is a widespread use of KPIs to monitor strategies and initiatives. 88% of survey respondents indicating that KPIs are always, often

or sometimes enablers of innovative approaches (OECD OPSI, 2023[8]). This is supported by guidelines produced by the State Chancellery to provide clear instructions for helping organisations operationalise strategies with clear performance indicators (see Box 2.13. *Guidelines on strategic planning & strategy development*) (Latvian State Chancellery, 2022[24]). These guidelines could provide a strong foundation for more effective strategy development that produces impact.

Box 2.13. Guidelines on strategic planning and strategy development

Clear guidelines for strategy development, including setting clear measures for impact can help to ensure strategies are optimised for effectiveness. In 2022 the Latvian State Chancellery published Strategic Planning Guidelines for Public Administration, to help institutions measure progress, purposely develop strategic directions and coordinate resources to achieve goals set out in the plans. This includes linking strategies to work plans, procurement, training and skills and individual work plans.

These guidelines emphasise the importance of building strategies based on evidence (e.g., understanding target groups, external environments and operational capabilities), paired with a clear mission, vision and values, desired results, performance indicators and measures for progress. Understanding target groups' needs includes understanding their interests and expectations, satisfaction in the institution's performance, problems in co-operation with the institution and proposals for improvement. The guidelines also outline how to develop performance indicators for strategies that include specific measures on innovation.

This strategic guidance encourages the gathering of evidence throughout all phases of strategy development, implementation and evaluation to ensure that strategies are producing impact.

Source: (Latvian State Chancellery, 2022[24]).

Figure 2.9. Understanding impact

UNDERSTANDING IMPACT

Responses to the question: How is impact understood in your organisation? (n=730)

Question	Always	Often	Sometimes	Rarely	Never
Does your organisation regularly evaluate the impact of policies and services (including standard policies and services and innovative approaches)?	9%	25%	35%	24%	8%
Is your organization's policy development, evaluation, and decision-making based on user experience, citizen insights, and data?	7%	20%	36%	26%	10%
Does your organisation actively spread the innovation and lessons learnt for others to consider tailoring a similar approach or solution to their context?	7%	19%	39%	25%	10%
Are mechanisms in place to learn from failure and feed lessons learned into future practice?	6%	16%	38%	28%	12%
Do audit and accountability approaches help encourage innovative approaches and understand the impact of initiatives?	5%	19%	33%	26%	16%

■Always ■Often ■Sometimes ■Rarely ■Never

Source: (OECD OPSI, 2023[8])

Audit

Audit, which is currently perceived as a barrier to innovation, can also be used better to identify policy areas that would benefit from innovative approaches, while still maintaining the integrity and autonomy of the audit institution (OECD, n.d.[64]) (OECD OPSI, 2023[8]). Recent studies from the audit office have encouraged innovative approaches, for example, a 2022 audit highlighted the opportunity to leverage innovative approaches to citizen participation to enhance decision making (State Audit Office of the Republic of Latvia, 2023[65]). However, many participants in focus groups perceived the audit function as one of control and policing, rather than an opportunity for identifying the need for innovation. This may be related to the critical tone present in many audits, which could dissuade readers from accepting constructive criticism as an opportunity for improvement (State Audit Office of the Republic of Latvia, 2023[65]; The State Audit Office of the Republic of Latvia, n.d.[66]). The 2022 – 2025 Strategy of the State Audit Office showcases recognition of the need to enhance the relationship between the audit office and stakeholders such as the parliament, audit entities, NGOs, academia to increase the impact of work ensure that communication can help build cooperation amongst these institutions (State Audit Office of the Republic of Latvia, 2021[67]).

Culture of learning, reflective practices, sharing and spreading solutions

Research participants noted in surveys, interviews and focus groups that there is a strong culture of reflective practices and learning from mistakes in Latvia (overall self-critical culture). The benefits of monitoring and evaluating impact are enhanced by opportunities to disseminate findings and learn from other departments, teams and individuals. Currently, only 55% of those surveyed agreed that their workplaces find it easy to reuse

74% of survey respondents indicated their workplaces **systemically work to learn from mistakes** (OECD OPSI, 2023[8]).

good ideas from other workplaces and only 57% agreed that their workplaces try to systemically find and reuse others new solutions.

Figure 2.10. Learning and reflective practices

LEARNING AND REFLECTIVE PRACTICES
Responses to the question: To what extent do you agree or disagree with the following statements about your workplace? (n=910-911)

Statement	Completely agree	Agree to some extent	Disagree to some extent	Completely disagree	Not applicable	Don't know
We systematically work towards learning from our mistakes	32%	43%	13%	4%	7%	2%
We systematically examine whether our solutions are useful	22%	39%	17%	5%	10%	7%
We find it easy to reuse good ideas from other workplaces	13%	42%	21%	6%	12%	6%
We systematically try to find and reuse others' new solutions	12%	44%	19%	5%	11%	9%
We prioritise identifying better solutions over the day to day solutions	12%	36%	23%	6%	12%	12%
We systematically incorporate the citizens' and/or companies' perspectives into our work	10%	38%	18%	6%	15%	13%

Source: (OECD OPSI, 2023[8])

This indicates a need to complement monitoring and evaluation strategies with explicit knowledge sharing opportunities to ensure the learning process does not only occur at the individual level, but rather extends across organisations and the public sector system (see Box 2.14. *Learning, spreading and sharing innovative ideas).* For example, there is an opportunity to expand the use of networks, such as the Innovation Network, to share and spread innovative solutions. Similarly, the Innovation Laboratory has an important role to play in identifying and signposting towards innovative best practice. There are also opportunities to facilitate more sharing of best practice between municipal governments (see Chapter 3) and to use mechanisms such as innovation awards to share best practices (see Box 2.14. *Learning, spreading and sharing innovative ideas*). Furthermore, encouraging the spreading of solutions (i.e.,

"steeling with pride") by adapting tried and tested innovative solutions into new contexts (Lykkebo et. al, 2021[68]).

Box 2.14. Learning, spreading and sharing innovative ideas

Principle Five of the OECD's Declaration on Public Sector Innovation, adhered to by the Latvian government encourages *Diffusing Lessons and Sharing Practices*. To support countries in implementing this principle and encouraging mindful learning, the OECD has developed an Innovation Playbook which includes key stock take questions, actions and case studies to guide the development of capacity in this area. Global examples of *Diffusing lessons and sharing practices* include:

- The Netherland's Institute of Brilliant Failures aims to facilitate learning and embrace failure as an opportunity to learn. They provide lectures and workshops on agile learning and developing an organisational climate where mistakes are tolerated, and tools to guide the learning process (such as a magazine, workshops and a failure award).
- The UN Public Service Innovation Hub which provides an online platform to share stories about innovation projects globally.
- The Copenhagen Manual which guides the measurement of innovation, including "sharing" and "spreading" innovation and systemically learning from mistakes.

Due to the experimental and risk-intensive nature of many innovations, developing safe spaces to discuss lessons learned is crucial to ensure return for investment (even if failure occurs) to avoid repeating the same mistakes and to spread successes so they can be replicated in new contexts.

Source: (OECD, 2022[23]; The Institute of Brilliant Failures, 2023[69]; Center for Offentlig Innovation, n.d.[70]).

Considerations for the Latvian public sector

The culture of measurement in the Latvia public sector provides a valuable starting point for evidence informed and user focused policy making and innovation. However, the approach reliant on KPIs could be enhanced with increased emphasis on measuring impact of policies and services to identify opportunities where innovation is most urgently needed.

Based on the above analysis, the Latvian government may consider to:

- **Introduce trainings and capacity building activities on how to design and implement policy evaluations and targets in performance-based budgeting processes,** to ensure public servants have the necessary competencies to create meaningful and measurable impact targets, that balance achievability with ambition and ensure that evidence is used throughout all stages of the policy cycle.
- **Integrate user and stakeholder perspectives in the design, implementation and evaluation of innovations** to ensure they are meeting user needs and that the impact of innovations is clearly measured and communicated. This may require more training and tools for public servants to gather and analyse user data.
- **Enhance collaboration, communication and relationships between the state audit office and public servants** to enable audit to be perceived as an identifier of where innovation is needed, rather than a strict control mechanism.

- **Strengthen communication around innovations to build public awareness, spread learnings and spread and scale solutions** (e.g., leveraging the Innovation Network, Lab and establishing potential innovation awards).

- **Develop an approach to monitoring systems-wide innovative capacity to track progress and increase awareness of innovative efforts in Latvia** (e.g., leveraging measurement approaches such as the innovation barometer and linking the future innovation strategy to measurement indicators).

- **Develop learning loops, platforms and forums to disseminate innovation cases and lessons learned from innovation processes and attempts** (e.g., case study repository on Innovation Laboratory website, use the Innovation Network as a forum for sharing lessons learned).

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Notes

[1] Noted in interviews and focus groups.

[2] Source: OECD Survey on Innovative Capacity in the Latvian Public Sector. N=911.

[3] Noted in interviews and focus groups as well as the OECD Survey on Innovative Capacity in the Latvian Public Sector. N=1151-1153.

[4] Noted in interviews and focus groups.