

Executive Summary

Challenges over the last few years including a global pandemic, war in Ukraine, energy supply issues and rising costs of living have underlined the importance of the Latvian government's ability to innovate, anticipate and adapt to deliver effective public services to citizens. The drive to enhance Latvia's innovative capacity and improve public outcomes is evident in the government's recently published Public Administration Modernisation Plan 2023-2027, the creation of an 'Innovation Laboratory,' and joint initiatives with the European Commission.

This report investigates Latvia's ability to strategically and systematically apply innovative methods in the workings of government and delivery of public services. It is designed to support future improvements and the development of an Innovation Strategy. Using the [OECD's Innovative Capacity Framework](#) research methodology, this study assesses four key questions:

- Purpose: What is driving the intent to innovate?
- Potential: What determines whether innovative efforts are attempted?
- Capacity: What is needed to carry out innovative efforts and integrate them into everyday practice?
- Impact: How is the impact of innovative efforts understood and informing future practice?

Key drivers of innovation in the Latvian public sector include bold government ambitions, a strong culture of tracking measurable outputs and Latvian public servants' individual desires to do things differently. 92% of public servants surveyed in this project indicated individual satisfaction as a reward and incentive for innovation. However, persistent barriers to innovation remain in the public sector's operating environment as well as overarching capacity gaps. For example, 81% of survey respondents indicated financial resources to be a barrier to innovation and 61% perceived regulatory and legislative frameworks as lacking the flexibility for innovative initiatives. Furthermore, challenges in measuring the overall impact of the public service are sometimes seen as hindering innovative ways of working to improve public outcomes.

This report highlights that there is potential for improving individual and societal outcomes through the transformation of the public sector in Latvia, but more can be done to turn this potential into concrete results. The newly published Public Administration Modernisation Plan, Latvia's Innovation Laboratory, and preparations for a National Innovation Strategy offer great promise - if they are supported by political will, implementation plans and resourcing.

Key findings:

Purpose: What is driving the intent to innovate in the public sector?

- There is a lack of cohesion amongst government priorities, strategies and ambitions connected to public sector innovation, hindering their capacity to drive innovation.
- Individuals are often driven to innovate by personal satisfaction and a desire to enable efficiencies in their daily work.

Potential: What determines whether innovative efforts are attempted?

- Team and organisational environments are key enablers of innovation in Latvia. Factors such as managerial support for innovation, team culture, and collaboration are seen as conducive to innovation.
- Lack of time, risk aversion and the complex rules-based administrative setting often prevent public servants from innovating. They are often unsure of how to navigate regulatory, legislative and procurement processes to make innovation happen.

Capacity: What is needed to carry out innovative efforts and integrate them in practice?

- Workforce issues (staff recruitment and retention, skills development) and lack of funding are key barriers to delivering and scaling-up innovative initiatives. For example, the Innovation Laboratory, founded in 2018, has potential to help drive innovative capacity building across government; however, staffing and funding challenges have prevented it from delivering a sustainable service offer.

Impact: How is the impact of innovative efforts understood and informing future practice?

- Performance based-budgeting is leading to a strong emphasis on key performance indicators, promoting a culture of measurement and driving output-oriented efforts. However, mechanisms and capabilities to measure impact and make evidence-based decisions throughout the policymaking cycle are lacking.
- A lack of “safe spaces” to discuss learning and failure limit the spread of successful initiatives and may help embed ineffective practices.

Municipal Government

These findings reflect opportunities and challenges encountered at both the national and municipal government levels; however, a number resonated more strongly at the municipal level:

- Research conducted emphasised the need for better collaboration between the national and municipal government. Competing strategies and priorities, as well as low levels of trust between these institutions, were viewed as damaging the ability to innovate in municipal government.
- Municipalities, which are often at the forefront of service delivery, face particularly strong barriers to innovation due to inflexible legal, regulatory, audit and procurement frameworks that make it difficult to take risks, challenge norms and test new approaches.
- Capacity challenges such as workforce gaps and lack of funding for innovation projects were also identified as particularly strong barriers to innovation in municipalities.

Key recommendations

- Adopt a public sector innovation strategy, together with an action plan, that defines a clear strategic vision for innovation, in collaboration with key stakeholders and municipal governments. The strategy and action plan should tie innovation to existing strategic agendas, paired with clear measurement indicators and accountability to ensure effective monitoring of the plan.
- Adopt a portfolio approach to steer innovative activities in areas where they are most needed, using mechanisms such as a national innovation fund or, prototyping and acceleration spaces, accessible across the public sector to enable activities that go beyond efficiency enhancements.
- Prioritise incentives to structurally promote innovative behaviours and activities (e.g., through performance goals or setting organisational expectations on time dedicated to specific behaviours).
- Work with auditors to improve the relationship between audit and innovation: create opportunities for safe risk taking. Use audit to identify where innovation is needed most and revisit punitive frameworks to avoid individual penalties for failures.

- 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.
- Create safe environments for learning and sharing of innovation experiences (e.g., by strengthening the Innovation Network).
- Build capacity to measure impact and outcomes to enhance the effectiveness of performance-based budgeting and evaluation approaches.
- Strengthen communication around innovative projects to build public awareness and share lessons; use dissemination channels such as the Innovation Network and Innovation Laboratory for these purposes.



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