



FICIL  
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TOMORROW IS  
THE CONSEQUENCE  
OF NOW

Position Paper No. 6

30 May 2019

## FICIL position on Digitalisation

### 1. Executive Summary

Digitalisation is the integration of digital technologies into business processes and into the way people work, interact and communicate in their everyday life. The transition to data-based digital economy will profoundly affect all economies, including Latvia. Digitalisation in business is the fastest and the most inexpensive way to fight shadow economy and improve the competitiveness of the Latvia's economy, thus attracting (smart) labour and capital. Successful transition to digital economy will require efforts by individual businesses as well as the government's vision of Latvia as a digital society with appropriate policy support towards promoting digital economy. In the 2018 position paper on digitalisation, FICIL outlined these recommendations for the government:

1. **Establish Chief Information Officer (CIO) role on government level.** CIO should facilitate innovation and digitalisation as integral part of the country's political agenda (like in Estonia, Scandinavian countries) including objectives related to data driven decision making, improving efficiency in government to business (G2B) relationships ('digital only'), approach to innovative business models (decentralized business models (blockchain, for instance), crowd financing etc.) and encouragement and support to SMEs in digital transformation. FICIL doesn't see any progress in this area.
2. **Significant improvement of G2B interactions.** This includes full review of the available G2B e-government services from SMEs perspective, followed by reengineering of the e-services using 'user experience' and 'once only' principles and providing multilingual public services on-line. FICIL outlines the need to open meaningful public government data, especially simplify reuse of Citizen register and Register of invalid documents. The court system, construction and tax system can be used to measure the improvement of G2B interaction, as they involve the most of the administrative burden despite the massive efforts to move to digital G2B interactions. FICIL doesn't see any progress in G2B interaction improvement since our last recommendations. To stress the importance of effective G2B interaction, **FICIL asks for digital only G2B relationships as important facilitator for private sector digitalisation and decreasing shadow economy.**
3. **Completely digital movement of goods within Latvia.** FICIL appreciates efforts of the Ministry of Economics in pursuing the solution through Administrative burden simplification innovation laboratory. FICIL looks forward to the practical realisation of these solutions.
4. **FICIL highly appreciates:**

- a. **digitalisation is included in Mr. Kariņš' Government Declaration.** FICIL appreciates the focus on digitalisation in the government's agenda and the government's efforts to use digitalisation as a tool for efficiency improvement, for example, the use of BIM in construction.
- b. **the latest mobile signature and authentication developments in 2018.** Further development of e-Identification solutions is possible, e-identification can serve as the main tool to speed up implementation and adoption of other e-services.
- c. **the development of open data portal** (data.gov.lv). This is a significant step towards a digital economy in Latvia.
- d. The development of EDS towards the 'user experience' oriented on-line communication platform for effective G2B and G2C communication.

FICIL emphasises necessary action:

1. **Establishment of CIO role on government level.**
2. **Government must open meaningful public government data** and allow businesses use state systems' integrator VISS for data interchange.
3. **Completely digital movement of goods within Latvia.**
4. **eID must be in accordance with the eIDAS-regulation and fully operable within EU** to facilitate borderless access to digital services.
5. **Building a digital economy** should be one of the top priorities for the government, especially, innovative business models on 4G/5G, artificial intelligence. Government must take active role of information resource holder for smart city platform(s) and ensure opening meaningful data sets (including data owned by public enterprises) to facilitate development of innovative businesses and artificial intelligence service providers.

## 2. Recommendations

1. Introduce state CIO in charge of:
  - 1.1. Single point of contact for business ensuring the digital transformation of judicial system, construction and tax systems and decrease of administrative burden in the abovementioned areas;
  - 1.2. Adoption of innovative, technology driven business development – sharing economy, decentralised business models (blockchain), artificial intelligence;
  - 1.3. In charge of decreasing administrative burden for business (360 view on business);
  - 1.4. Ensure 100% digital B2G communication.
2. E-identification used in Latvia should be valid in all EU states. Latvian electronic authentication (eID) must be in accordance with the eIDAS-regulation and fully operable within EU. It will facilitate borderless access to digital services:
  - 2.1. Enterprises will be able to carry out transactions, such as declaring income for taxation purposes, open branches in other EU countries etc.;
  - 2.2. Citizens will be able to apply for education programmes, issuing or obtaining medication with an e-prescription or using bank services across borders;
  - 2.3. Latvia should accept eID of all EU citizens<sup>1</sup>, including seasonal workers, expats etc. Moreover, if attraction of foreign employees is allowed, the on-boarding process must be completely on-line.

<sup>1</sup> <https://eidas2018.eu/citizens/>, 12-Mar-19

3. Availability of public data to business. Government should open meaningful public government data. Opening meaningful data sets would:
  - 3.1. Improve efficiency. For instance, simplifying reuse of Citizen register and the Register of invalid documents will significantly improve the efficiency of client identification for financial services and other industries;
  - 3.2. Develop new e-services on open data using PPP models allowing improvement of user experience of e-services (sample e-klase.lv);
  - 3.3. State systems' integrator VISS must be used by business as well to increase the productivity of the companies. VISS should serve as the Register of registers, e.g., data are available to business regardless of the data owner;
  - 3.4. Data opening (including data sets owned by public enterprises) will facilitate development of innovative business, artificial intelligence solutions.
4. Completely digital movement of goods within Latvia.
5. Latvija.lv must be rebuilt with 'user experience' approach. FICIL asked for the initiative in the digitalisation position paper 2018, however we couldn't find it in the Action Plan to Improve the Business Environment in Latvia. The plan includes restructuring of latvija.lv business services section, FICIL looks forward to seeing the 'user experience' approach used.
6. Building a Digital economy must be high on the agenda of Government, especially, innovative business models on 4G/5G and artificial intelligence, for instance, by supporting export of high added value services and timely solutions of legal aspects of innovative business models and services.

### 3. Rationale for recommendations

**State CIO** is operating as a broker between business community and state in many European countries. For instance:

1. **Estonia** - Estonian government CIO Siim Sikkut is included among the top 20 in Apolitical's list honouring the World's 100 Most Influential People in Digital Government in 2018<sup>2</sup>;
2. **Denmark** has Minister for Science, Technology, Information and Higher Education;
3. The appointment in February 2018 of a **Swedish** Chief Digital Officer by the Prime Minister and the Minister of Housing, Urban Development and Information technology is evidence of how other policy areas related to digitalisation have identified and address the need for clear leadership to steer strategic decisions within specific domains<sup>3</sup>.

These are the countries ranking high in the DESI index (2018)<sup>4</sup>, including the integration of the technologies into business.

The **validity of the Latvian e-identification in all EU states** would significantly boost the effectiveness of foreign investors in Latvia. For instance, opening of the company branch in Latvia for

<sup>2</sup> <https://investinestonia.com/estonian-government-cio-among-worlds-20-most-influential-people-in-digital-government-in-2018/>, 08-Dec-2018

<sup>3</sup> <https://www.oecd.org/gov/digital-government/digital-government-review-of-sweden-2018.pdf>, 08-Dec-2018

<sup>4</sup> <https://ec.europa.eu/digital-single-market/en/desi>, 21-01-2019

foreign companies will be easier and faster as well as for Latvian business to open offices in neighbouring countries<sup>5</sup>.

**Availability of public data to business.** Costs of obtaining data from public registers costs ~1.3 m EUR annually for financial institutions alone according to Finance Latvia Association calculations<sup>6</sup>. These are the costs of ensuring compliance with law without any added value to the development of financial services. SMEs of financial services, including fintech, see this as barrier for business. FICIL encourages public institutions to follow the principles set in DIRECTIVE 2003/98/EC on the re-use of public sector information<sup>7</sup>:

1. The requests for re-use and/or license must be processed within a reasonable time that is consistent with the timeframes laid down for the processing of requests for access to data. Public institutions are 'evaluating requests': neither time frame, nor criteria are publicly available<sup>8</sup>. FICIL emphasises the need to set unified, transparent principles of open data – for instance, impact on state security, physical person data protection, evaluation criteria of eligibility of the company for data processing, timeliness of the processing of the requests received from business;
2. Public sector bodies shall make their documents available in any pre-existing format instead of forcing G2B customers to pay for obtaining bulk data<sup>9</sup>;
3. The total income from supplying and allowing re-use of documents shall not exceed the cost of collection, production, reproduction and dissemination, together with a reasonable return on investment. The pricelists of data provision must be transparent, well-grounded and in line with these principles.

**Completely digital traceability of goods within Latvia.** FICIL recommends implementation of single framework for completely digital traceability of goods in Latvia using 'open banking' principles. For instance, fiscal data operators (private companies) must be licensed to process retail transactions (checks) and consignment notes. Retailers, transport service providers etc. are connected to Fiscal data operator and provide information about every transaction, Fiscal data operator ensures the availability of stored data to data donors as well as State Revenue Service has access to the transactions. State Revenue Service can control connection of the retailer, transport service provider to the Fiscal Data Operator etc. Fiscal data operators are used in Austria, Russia at reasonable monthly cost. FICIL appreciates any activities towards digitalisation of the traceability of goods (hackathons<sup>10</sup>, public service innovation labs, etc.) and looks forward to see the practical realisation of the ideas.

Digital move of goods is a significant competitive advantage of any transport corridor (both – internally and transit). The control system must move from traditional paper-based post factum interventions to online, preventive controls using technologies. For instance, build control system around reading car number plates on roads. This approach will significantly decrease cost of compliance for retail, logistics etc. companies and improve overall efficiency of business and decrease level of shadow economy.

FICIL outlines the importance of **digital economy, especially, business models on 4G/5G and artificial intelligence** to be high on the government agenda. Government must also ensure innovative business models (provision of product as a service<sup>11</sup> or software as a service<sup>12</sup>, Healthtech etc.) are promoted and legal issues are solved timely and properly (might be function of State CIO). Government must take active role as information resource holder for smart city platform(s) to ensure innovative solutions can be developed and 4G/5G investments can be made. FICIL sees the artificial

intelligence and 4G/5G business models as key opportunities for Latvia due to meaningful progress with development of 4G/5G network in cooperation with Nordic countries<sup>13</sup>. As almost all European countries are on the same level with developments of artificial intelligence ecosystems, FICIL sees the opportunity for Latvia to boost the economy<sup>14</sup>.

FICIL recommends government timely ensure upskilling of employees whose jobs can potentially be replaced by technologies. Education system should take care of upskilling.

Court system, construction and tax systems are used as measurement of improved G2B digital interaction. Despite the massive investments in Courts' information system (tiesas.lv), administrative burden hasn't decreased as the use of electronic documents in courts remains inconsistent and incomplete.<sup>15</sup> Development of Construction Information system is ongoing. Its mandatory use is significant step towards the digitalisation of construction industry. However, the Construction Information system must contain structured construction industry data (BIM) rather than serve as document management system. According to the Paying Taxes report 2019<sup>16</sup>, Latvia has the highest time to compliance among all Baltic states, this highlights the administrative burden.

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<sup>5</sup> <https://www.difi.no/fagomrader-og-tjenester/digitalisering-og-samordning/nordisk-samarbeid/nordic-baltic-aid-nobid/benefits/case-digital-and-simplified-cross-border-branch-registration-sweden>, 21-01-2019

<sup>6</sup> [https://www.financelatvia.eu/wp-content/uploads/2018/01/LKA\\_Datos-balsti%CC%84ta-sadarbi%CC%84ba\\_situa%CC%84cijas-anali%CC%84ze\\_12122017.pdf](https://www.financelatvia.eu/wp-content/uploads/2018/01/LKA_Datos-balsti%CC%84ta-sadarbi%CC%84ba_situa%CC%84cijas-anali%CC%84ze_12122017.pdf), 24-01-2019

<sup>7</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32003L0098&from=en>, 11-02-2019

<sup>8</sup> <https://www.pmlp.gov.lv/lv/sakums/pakalpojumi/informacija-no-iedzivotaju-registra/izzina-no-iedzivotaju-registra.html>, 11-Feb-2019

<sup>9</sup> <https://www.pmlp.gov.lv/lv/sakums/pakalpojumi/cenradis/cenradis.html>, 11-02-2019

<sup>10</sup> The winner of State Revenue Service and Ministry of Economy hackathon - <http://zbook.tax/>

<sup>11</sup> <https://www.carguru.lv/>, 20-03-2019

<sup>12</sup> <https://smartadex.com/#demo>, 20-03-2019

<sup>13</sup> <https://www.norden.org/en/news/nordic-and-baltic-countries-be-preferred-test-site-5g>, 29-03-2019

<sup>14</sup> <https://www.computerweekly.com/news/252443627/Nordic-and-Baltic-states-agree-on-joint-approach-to-AI>, 29-03-2019

<sup>15</sup> Evaluation of Latvian Court System, CEPEJ, 2018

<sup>16</sup> <https://www.pwc.com/gx/en/services/tax/publications/paying-taxes-2019.html>, 13-03-2019