



Position Paper No. 1

FOREIGN INVESTORS' COUNCIL IN LATVIA POSITION PAPER ON DATA

08.09.2022



Executive summary

More data has been created and produced in the past two years prior to 2021 than in the rest of human history combined¹. Each time data is collected, analysed, presented, or shared, it should be for the benefit of the people and the economy, and not just for the sake of having lots of data and information. The Foreign Investors' Council in Latvia (hereinafter - FICIL) views data as one of the key drivers for improving the quality and predictability of decision-making, as well as public service effectiveness, which can help to improve trust in the public sector from society and businesses. While the topic of data has arisen on the national policy agenda, in particular the use of data to address social issues, and how to shape it for the public benefit, there is still a long way to go for Latvia to achieve effective data governance. Use of high-quality data can help politicians and public sector representatives to approach complex issues with better understanding of what impact different policies or decisions might have on society and the economy.

FICIL reiterates the need to establish a centralised entity responsible for digitalisation efforts in Latvia. This should be a task for a politically mandated institution - the Office of the Chief Information Officer (hereinafter - the CIO) that is responsible for implementing a centralised digital policy. The position paper also contains recommendations for establishing a centralised data governance framework and a need to create a clear legal framework for all data and data-usage in the public and private sector. Lastly, FICIL believes that the pace and success of the digital transformation largely depends on the digitalisation of companies and people, hence it is crucial to ensure targeted and future-oriented policies which correspond to the maturity of a company and the sector, in order to promote digitalisation.

1 <https://openknowledge.worldbank.org/handle/10986/35594>





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Recommendations

1. Designate a state level CIO

- FICIL recommends establishing an Office of the Chief Information Officer (CIO) with an explicit and concrete horizontal mandate.
- FICIL recommends paying attention and creating a better capacity/structure to onboard centralised Centre of Excellence that can provide support to multiple public sector institutions.

2. Establish a centralised data governance framework

- FICIL recommends implementing a centralised data governance framework and management of all public data within the public sector.
- FICIL suggests focusing on standardising data via a centralised operating model to ensure that all public sector institutions have the same standard capabilities and use the same tools.

3. Create a clear legal framework for all data and data-usage

- FICIL recommends the government creates and implements a clear legal framework for all data and data-usage in the public sector and private sector.

4. Continue private sector digitalisation

- FICIL recommends continuing the implementation of the existing private sector digitalisation programs that the current Government has undertaken and focusing on keeping the dialogue open with the private sector throughout the process.



Rationale for recommendations

Designate a state level CIO

During our last FICIL Position Paper on Digitalisation, the need for a CIO was discussed in great detail. This year, FICIL continues to strongly advocate for the government to introduce a high-level, mandated CIO that is responsible for implementing centralised digital transformation and assuming strategic leadership for the digital transformation of the entire state. Numerous variations of such agencies already exist in some countries at varying levels and starting points: in Norway (rated among the best in the European digitalisation DESI index), neighbouring Estonia, distant Australia, and in Ukraine. At present, Ukraine is a benchmark of one of the most rapid digital transformations with many policy changes, including the establishment of a Ministry of Digital Transformation in 2019². While there are variations to the purpose and mission of a CIO in different countries, in general, the role of such organisation is responsible for and should focus on:

- Data governance.
- Development of government services, for example, Artificial Intelligence (AI) technologies.
- Strategic leadership on implementing government policy and shared ICT and digital public sector services, including sourcing and capability development.
- Providing advice to government agencies on ICT and digital investment proposals.
- Overseeing significant technology investments and government's digital portfolio.
- Playing a significant role in the build-up of digital skills, both in society and at the level of public sector.

More specifically for Latvia, a CIO could also focus on securing continuity in public sector funding for Information and Communication Technology (ICT), by removing the excessive reliance on EU funds. In all instances of an established CIO agency in other countries, and in order to ensure an appropriate

action mandate, FICIL recommends that the CIO be directly subordinated to the principal minister of the state, which in Latvia is the prime minister. This would ensure clear accountability for policies under the competency of the CIO and allow the responsible person to have the highest-level political support, including appropriate budget allocation.

Gradually, the government should consider going even further, as has been done by our neighbour Estonia, which since 2018 has established a role of Chief Data Officer³ - a role that is overseeing data governance and data science in the Estonian Government. The Chief Data Officer oversees the strategic coordination of data governance, data science, including artificial intelligence, open data, citizen-centric data governance, and other fields.

FICIL acknowledges the progress that the Government has achieved towards centralisation of ICT competences, including the state and municipality ICT projects' "construction bureau" initiative, but proposes that government goes further.


- **FICIL recommends paying attention to and creating a better capacity/structure to onboard a centralised Centre of Excellence that can provide support to multiple public sector institutions.**

The proposed Centre of Excellence would fall under a designated CIO and assist in centralisation of ICT competencies, with the purpose of:

- Centralising data anonymisation standards.
- Standardising data privacy and interpretation.
- Centralising data science and analytics.
- Ensuring data availability and accessibility standards.
- Ensuring a united digital Project Management Office.

² <https://www.undp.org/ukraine/blog/great-disruptor-how-covid-19-nudging-ukraine-towards-rapid-digital-transformation>

³ <https://e-estonia.com/government-chief-data-officer-ott-velsberg-burokratt-is-siri-on-steroids/>



At the same time, further centralisation would be particularly important for accelerating digital skills in the already competitive ICT labour market segment. The introduction of a Centre of Excellence would facilitate the existing public sector employees to feel part of a greater mission and grow by learning from each other. The typical issue of specialists leaving could be mitigated by a better capacity to onboard in a larger and more competent team. If the above is combined with the market level remuneration, the Centre of Excellence would make the data governance value chain operationally viable and improve the public sector's competency.

Establish a centralised data governance framework

The Global Data Barometer study assessed the state of data for the public benefit in 109 countries, by conducting expert interviews from May 2019 – May 2021⁴. The study aimed to create a new global benchmark that looks at data governance, capability, availability, and the use and impact of data for the public good. FICIL would like to emphasise key findings in two areas in relation to Latvia - data capability and governance. In the capability area, Latvia is tracking well - in the use of standards in statistics, internet access, human capital and freedoms and liberties. In the area of governance, Latvia is on the right track in categories such as "Open data policy" and "Data protection law". Nonetheless, there are several areas that need a lot of improvement - the data sharing framework, data management framework and data accessibility framework. In these categories, Latvia scores relatively low or below average among the 109 countries. Latvia also has some catching up to do in governance categories. In comparison, our neighbour Estonia ranks second among the 109 countries on using data for the public good where it stands out for its ability to exchange data, use open data, and implement data protection principles.

- **FICIL recommends implementing a centralised data governance framework and administration of all public data within the public sector.**

The pace of change in technology is accelerating and is unceasingly intense. Digital transformation is set to enable private and public organisations

to create and propose not only differentiated and individualised solutions to the market, but also to continue to have customer-centricity at their core, to meet customer expectations while maintaining their trust.

Data governance lies at the very centre of the digital transformation journey - it is a pre-requisite for it, an enabler that can significantly speed up the transformational effort. Data governance is all about managing data during its life cycle, from the moment it is generated to when it is disposed of, and it includes all the aspects to ensure that data is secure, accurate, usable, and in compliance with internal or external data policies, be they laws, regulations, or relevant applicable policies.

A lack of high-quality usable data is the main issue. The processing and cleaning of unnecessarily fragmented data can consume a large proportion of time for data analytic teams⁵. Data analysts are forced to waste hours on redundant tasks due to poor quality and availability of data that could have been prevented with a better data governance policy in place. This highlights the importance of effective data governance on increasing public sector productivity and resource management.

- **FICIL suggests focusing on standardising data via a centralised operating model to ensure that all public sector institutions have the same standard capabilities and use the same tools.**

Already in 2019, OECD highlighted the need to ensure data standardisation⁶. This is a requirement even before looking to implement data-related policies and a better model of data governance. Effective standardisation via a centralised operating model would greatly ease the public sector's ability to further use this data in its decision-making process. The abovementioned recommendation would allow the centralisation of procurement processes, optimise license costs and in turn reduce the cost of data management and usage via economies of scale. In particular, for future effectiveness, it is important to standardise data and build data dictionaries. This starts with practitioners who are at the start of the data lifecycle - when data is first created. Building data literacy via introductory courses is one of the ways this can be achieved.

4 <https://globaldatabarometer.org>

5 <https://www.mckinsey.com/business-functions/mckinsey-digital/our-insights/designing-data-governance-that-delivers-value>

6 https://read.oecd-ilibrary.org/governance/the-path-to-becoming-a-data-driven-public-sector_059814a7-en#page28

Create a clear legal framework for all data and data-usage

- FICIL recommends the Government creates and implements a clear legal framework for all data and data-usage in the public sector and private sector.

It is recognised that in 2021, Latvia's Ministry of Environmental Protection and Regional Development produced guidelines on digital transformation - "Digital Transformation Guidelines for 2021-2027" (adopted in 2021)⁷. These guidelines outline information and data management reforms, and as one of its goals mentions the implementation of infrastructure and principles for wider data sharing opportunities between the public and private sectors. Nevertheless, while the data management framework exists, it is understandable that it lacks the much-needed full force of the law. At the moment, there is no applicable law that requires institutions to publish data in a specific standard. FICIL recognises that the Government has published several guidelines for data publishers, for example "Technical Guidelines for Data Publishers", "DPP Metadata Standards", etc. However, this does not go far enough, and it appears that the key opportunity and future policy initiative for Latvia would be to provide a comprehensive framework for consistent data management and publication, since there is no such framework implemented. This comprehensive framework could entail:

- Minimum standards for created metadata when the data received by the Government is catalogued or published.
- A standardised process for publishing and updating public government data.
- Technical standards, including common data models, code lists, and identifiers for the management and publication of government data.

Consistent data management and publication is an important pre-requisite before progressing with new insights and opportunities that come from effective use of data. It is a starting point that provides opportunities to develop new services or improve the existing ones and/or save resources in the long-term. One of the key benefits of consistent data management is the ability to re-use the data at a later stage to develop new services and the ability to

create/update key performance measures and to set benchmarks. This would allow continuous relative comparisons and better monitoring that would be beneficial to both the private and public sector.

Continue private sector digitalisation

- FICIL recommends continuing the implementation of the existing private sector digitalisation programs that the current Government has undertaken and focusing on keeping the dialogue open with the private sector throughout the process.

When it comes to data usage, an important contributing factor is the digitalisation level of the private sector. This has been the focus of FICIL over the last few years due to Latvia ranking low in the EU DESI index, most recently ranking 23rd in the integration of digital technology in enterprise (EU DESI index 2021), which is still below the EU average in almost all of the sub-categories. The share of small and medium enterprises (hereinafter - SME) with at least a basic level of digital intensity is 42%, while the EU average is 60%⁸. With the help of targeted support by the EU Resilience and Recovery Fund (RRF) there is an opportunity to overcome this situation and improve the private sector's digitalisation efforts. FICIL appreciates the progress made over the last year. Namely, there are more specific targets set for 2027 - not just for basic digital skills, but also advanced digital skills - above 35% for the population⁹. In the meantime, the 95 million EUR allocated towards increasing digital skills is highly dependent on the actual implementation, realisation, and quality of the planned programmes.

Therefore, FICIL calls for a clear and detailed plan for reaching the set targets, especially taking into account that lifelong learning and adult education is more difficult in terms of overcoming inertia of any one individual and, thus, society at large. Coordination across different public sector institutions responsible for education, economy and welfare system improvements is, and will be, of utmost importance. The other part of private sector digitalisation relates to the corporate sector. FICIL notes that progress has been made since 2021, and a simple and globally proven tool such as the 'digital health check' for companies is already part of the program. Also, there is now more awareness of public-private cooperation in relation to data.

7 https://www.varam.gov.lv/en/article/latvian-digital-transformation-guidelines-2021-2027-accellation-digital-capacities-future-society-and-economy?utm_source=https%3A%2F%2Fwww.google.com

8 EU DESI Index 2021 Latvia <https://digital-strategy.ec.europa.eu/en/policies/countries-digitisation-performance>

9 https://www.varam.gov.lv/en/article/latvian-digital-transformation-guidelines-2021-2027-accellation-digital-capacities-future-society-and-economy?utm_source=https%3A%2F%2Fwww.google.com

Launching Digital Innovation Hub services and regional centres in Latvia and expanding them in the first half of 2021 to different regional centres and in July 2022, the Government's approved support programme to provide tools to finance business digital transformation¹⁰ are initiatives in the right direction, to ensure assistance in digitalisation of business and digital technologies. The Hubs will also provide innovation services, financing advice, training, and the development of skills that are needed for successful digital transformation. Moreover, the 125 million EUR allocated via RRF to

support businesses introducing digital technologies should be spent more towards the actual content of the support, with less on the administrative setups.

When the RRF support programs are launched and in full force, FICIL suggests simple and consistent communication with all the involved stakeholders, so that both the private and public sector are aware of any changes and can navigate and use the available tools in a timely manner, at least until the program's life cycle ends in 2027.

¹⁰ https://www.em.gov.lv/lv/jaunums/apstiprinatas-jaunas-atbalsta-programmas-uznemumu-digitalajai-transformacijai-un-inovaciju-radisanai?fbclid=IwAR2ujj6oxgvahq8MeD4owoKz65apfdH6QejBmGDrbW60-2DPLwUO6pA0aYU&utm_source=https%3A%2F%2Fem.gov.lv%2F





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