



FOREIGN INVESTORS' COUNCIL IN LATVIA

POSITION PAPER
on
FUTURE PUBLIC
ADMINISTRATION

Position Paper No. 3



30.10.2025



EXECUTIVE SUMMARY

Digitalisation and a fit-for-purpose public administration are essential enablers for business activity, including foreign investment. Efficient, transparent, and responsive public services reduce friction for companies operating in Latvia, thereby strengthening the country's competitiveness in attracting international capital, talent, and innovation.

The ambition set at the 2024 High Council – for Latvia to build the world's most efficient public administration was welcomed by investors as a clear signal of reform commitment and competitiveness.

Progress has been made in strengthening digital public services, particularly through the widespread adoption of digital signatures, and in the initial steps towards performance-based budgeting; however, implementation remains at an early stage. Yet the pace of transformation remains slow. Bureaucratic inertia risks undermining competitiveness at a time when Latvia faces extraordinary pressures from security risks, shifts in global trade, demographic decline, and persistent budgetary constraints. The strain on public finances underlines the urgency of organisational transformation: effectiveness, optimisation, and cost discipline in the public sector are no longer optional but essential for sustaining growth and resilience.

In the private sector, digitalisation and process optimisation have long been a proven way to free resources and enable strategic investment. Latvia's public sector must adopt the same principles if it is to deliver more with less, sustain fiscal discipline, and reinforce trust in institutions.

FICIL therefore outlines five priority recommendations to strengthen Latvia's public administration and digitalisation agenda:

1. Accelerate and further endorse the implementation of performance-based budgeting in Latvia as a platform for political decision-making and boosting public sector accountability;
2. Introduce a public accountability mechanism for institutional performance;
3. Accelerate the development of a public shared service centre;
4. Further simplify and digitalise public services;
5. Create innovative connection points to attract foreign investment.

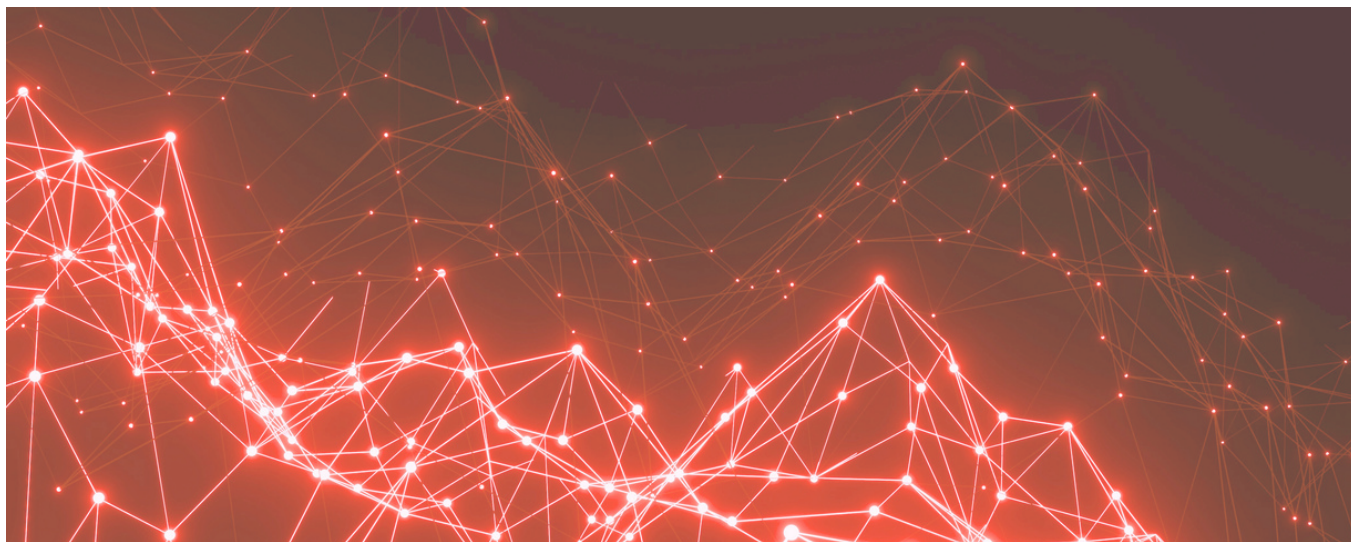
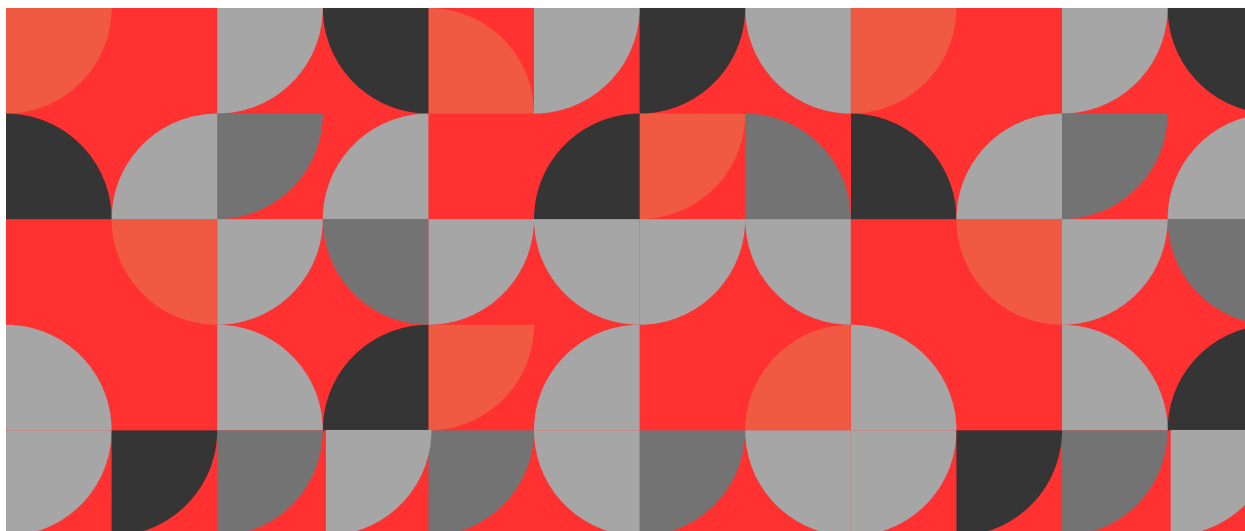
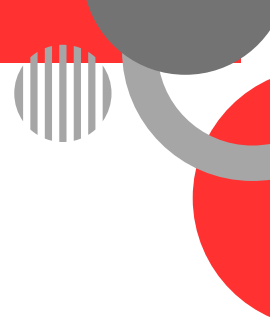


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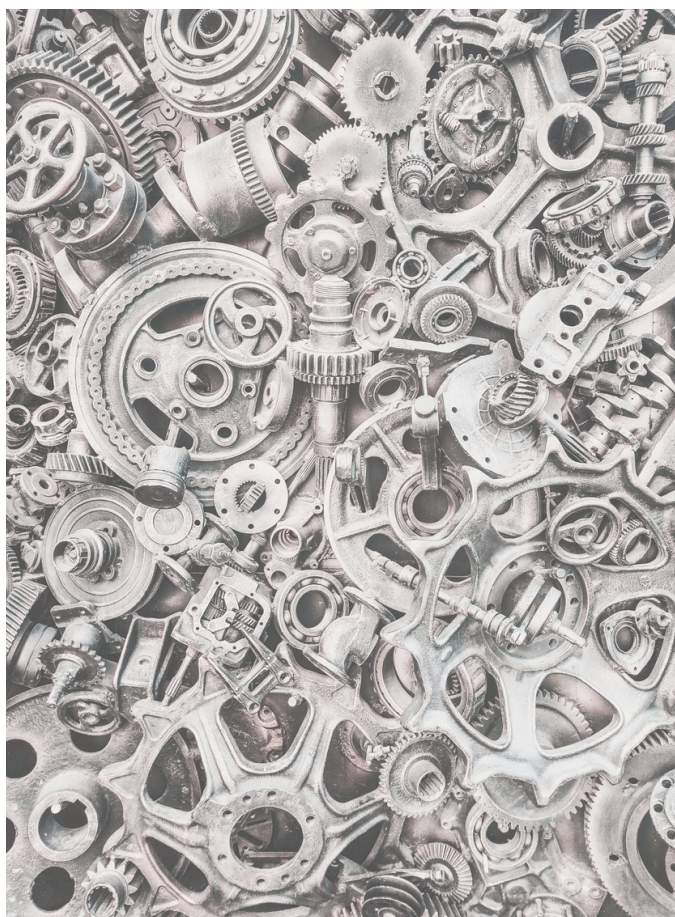




RECOMMENDATIONS

IMPROVE EFFICIENCY THROUGH DIGITALISATION

- | **Expand and strengthen the State Shared Service Centre:** Broaden the Centre's mandate to include content-related HR functions and a standardised civil servant onboarding platform, driving efficiency, coherence, and cost savings
- | **Simplify and digitalise public services:** Expand data-driven decision-making, redesign processes for simplification, strengthen IT infrastructure and cybersecurity, and establish clear competencies, goals, and KPIs for digital transformation



- | **Turn Data into a Strategic National Resource:** Ensure anonymisation and protection of sensitive datasets, create a centralised public data catalogue, establish fast sandbox access procedures, and develop a sustainable revenue model to attract international innovation and strengthen national competitiveness

MODERNISE PUBLIC ADMINISTRATION

- | **Accelerate the implementation of performance-based budgeting as a strategic decision-making tool:** From 2026, PBB should evolve beyond a technical framework into the primary forum for budget negotiations, with emphasis on price-performance and price-per-value metrics, guided by a high-level Steering Committee chaired by the Prime Minister, with the State Audit Office and international observers ensuring neutrality. Sector-specific review teams should benchmark and realign goals and expenditures against EU peers to drive efficiency and comparability
- | **Introduce a public accountability mechanism for Public Administration performance:** Develop a high-visibility, reputable system to celebrate excellence, highlight risks, and foster a culture of accountability across public institutions



RATIONALE FOR RECOMMENDATIONS

IMPROVE EFFICIENCY THROUGH DIGITALISATION

In the era of AI-driven technological advancements and geopolitical pressures, a nation's ability to adapt and integrate digital solutions into its public sector is crucial for sustainable growth and competitiveness. For Latvia, digital transformation is not an option but a necessity, driven by a shrinking taxpayer base and the geopolitical situation.

Ahead of its 2025 recommendations, FICIL acknowledges progress in the public sector, including:

1. State digital services have progressed over the years. At the same time, it is paramount to be at the forefront of EU-wide initiatives – such as digital wallets, e-identity, and e-bills adoption – because leadership stands out and will improve Latvia's reputation as a digitally developed nation, helping to attract foreign investors;
2. Improved inter-institutional cooperation. The cooperation between the State Revenue Service (VID) and the Central Statistics Bureau (CSP) in applying the “ask-once” principle has reduced the reporting burden for businesses, demonstrating the benefits of streamlining data exchange and reducing administrative obstacles;
3. The progress of the IT coordination group (“IKT būvvalde”), the increased role of VDAA and its new strategy, and other centralisation efforts.

| Expand and Strengthen the State Shared Service Centre

The public sector has yet to realise the full efficiency gains from centralisation that leading Baltic companies and peer governments have already demonstrated.

Horizontal powers and effective change management are essential for Latvia's digital transformation, particularly given resource pressures and national security priorities. FICIL therefore sees the expansion of the State Shared Service Centre (SSSC) as vital to drive competence building, retain key staff, and ensure continuity of strategic functions such as IT.

FICIL recommends expanding the Centre's mandate to encompass content-related HR functions and a standardised civil servant onboarding platform, thereby driving efficiency, coherence, and cost savings.

1. Introduce a state-wide service KPI system, incorporating outcome-related indicators that measure not only service delivery processes but also the results achieved, in order to monitor HR performance;
2. Centralise HR content support for core institutions to reduce fragmentation and enhance policy coherence;
 - Ensure clear institutional accountability for HR management, whether through a reorganised State Chancellery, the Treasury, or a dedicated agency;
 - Use HR system data for annual evaluations and benchmarking to guide training and performance management.
3. Roll out and supervise a standardised onboarding platform;
 - Issue comprehensive guidelines and digital workflows for new hires;
 - Assign supervision roles within the Shared Service Centre to ensure consistent adherence;



- Track adoption metrics and feedback loops to refine processes.

4. Strengthen governance and stakeholder engagement by establishing clear roles, responsibilities, and feedback mechanisms.

Adding to ongoing initiatives, the implementation of the Data Distribution and Management Platform (DAGR) is essential. Sustainable funding mechanisms, independent of EU structural funds, should be secured to ensure long-term resilience.

Shared service models in Denmark, Estonia, Finland, and Portugal have centralised HR, finance, and IT functions to achieve cost reductions of up to 20% while standardising service quality across agencies¹. In Central and Eastern Europe, Hungary² and Slovakia³ have similarly leveraged shared-service hubs to streamline onboarding processes, reduce administrative burden, and accelerate integration of new civil servants into the system.

OECD research underscores that clear governance frameworks, ongoing stakeholder engagement, and rigorous performance monitoring are prerequisites for the successful expansion of SSC. FICIL's proposed state-wide KPI system and dedicated supervision roles mirror best practices in the Netherlands and Sweden, where independent review mechanisms and peer benchmarking drive continuous service improvement and resilience.

I Simplification and Digitalisation of Public Services

Simplification and Digitalisation of public services are crucial for enhancing citizen engagement and government efficiency.

FICIL emphasises establishing clear competencies, measurable goals and KPIs for digital transformation. Data-driven decision-making should be the modus operandi for more informed policy development and resource allocation, and leads to more effective policies and better outcomes for citizens.

FICIL also continues to suggest some operational recommendations that are part of successful private organisations and would help the public sector.

For example, **(1)** redesigning processes for simplification at every IT system change, while using off-the-shelf IT solutions as the standard approach for new procurements, would ensure that the new systems are user-friendly and efficient. This reduces the administrative burden on both citizens and government employees.

(2) Ensuring the independence of ICT financing from EU funding, and project-based funding, and at the same time promoting the re-use of IT systems, bots, and simplifications across the public sector, regardless of where they are created, is essential for the continuity and maintenance of existing systems.

(3) Scaling down marginal and non-essential public services, combined with the creation of an IT system implementation competence centre to ensure effective rollout, and improved user experience for digital services, can address the backlash against service proliferation and improve accessibility for digitally less advanced populations. Supporting remote/digital services as the default, while maintaining human channels for citizens with special needs, is the solution.

¹ European Commission (2021). The Organisation of Shared Service Centres (SSCs) in Public Administration. Publications Office of the European Union.

² OECD (2017). Public Governance Reviews: Hungary – Public Administration and Public Service Development Strategy 2014–2020. OECD Publishing, Paris.

³ OECD (2015). Public Governance Reviews: Slovak Republic – Developing a Sustainable Strategic Framework for Public Administration Reform. OECD Publishing, Paris.

| Turn Data into a Strategic National Resource

Latvia's most underused strategic resource is data. If managed with the highest standards of security, encryption, and governance, it can become a catalyst for innovation, productivity growth, and investment. The rapid advance of Artificial Intelligence makes this urgency greater than ever: international companies are actively searching for secure testbeds where high-quality, well-protected data is available in a predictable way. This approach does not involve selling or exposing sensitive information; it means demonstrating that with proper safeguards, Latvia can turn data into a trusted national asset. This vision is also aligned with the President's call for Latvia to strengthen its role in the international digital economy⁴.

FICIL recommends adopting a "Data as a Service" approach to establish Latvia as a leading EU sandbox for testing and scaling international data-driven solutions.

- **Ensure robust anonymisation, encryption, and protection of sensitive datasets** (healthcare, mobility, etc.) to enable safe use in research and AI training;
- Create a centralised, publicly accessible data catalogue that specifies dataset availability, format, and access conditions;
- Introduce a fast-track sandbox access procedure with a single point of contact and a standardised framework;
- Develop a sustainable state revenue model for structured data access while prioritising Latvian researchers and businesses;

- Strengthen international cooperation to position Latvia's data ecosystem as visible, trusted, and competitive within European innovation initiatives.

This approach would turn data into a strategic national resource, promote innovation, and create new economic opportunities for both public institutions and businesses, while reinforcing Latvia's independence and competitiveness internationally.

MODERNISE PUBLIC ADMINISTRATION

Over the past five years, FICIL's Public Sector Reform working group has advanced governance modernisation by:

1. Raising the quality and accountability of policymaking;
2. Accelerating the quality, speed and responsiveness of public services for foreign investors.

FICIL welcomes the establishment of the government's Bureaucracy Reduction Action Group, led by the State Chancellery. However, its case-by-case focus has not yielded the systemic, spectrum-wide improvements required to build an effective, results-oriented public administration. Considering evolving fiscal pressures and the imperative for strategic governance, FICIL puts forward the following recommendations.

| Accelerate the implementation of performance-based budgeting as a strategic decision-making tool

⁴ In his speech "A Well-Governed and Citizen-Friendly Digital Latvia" (5 April 2023), President Egils Levits emphasised the need for Latvia to strengthen its role in the international digital economy.



FICIL recommends establishing a structured and politically mandated framework to accelerate the rollout of performance-based budgeting (PBB), transforming it into the primary forum for strategic budget negotiations from 2026 onward.

This framework should be underpinned by:

- **Governance and leadership:** A Steering Committee (SteerCo) chaired by the Prime Minister, including ministers and up to three non-government representatives, supported by an independent international advisor. **State Audit Office should serve as an observer, alongside international representatives from countries where PBB has been successfully implemented,** ensuring neutrality, external validation, and credibility;
- **Dedicated project management:** A Project Management Team (PMT) of up to 10 members, drawn from pilot ministries (Finance, Economics, Transport), data institutions (CSB, SRS, VARAM), and the Ministry of Finance. The PMT should report to the SteerCo and be led by the same international advisor;
- **Ring-fenced budget and resourcing:** Based on preliminary estimates, it is suggested to allocate €3–5 million to cover personnel and expertise (1.5–2.5m), technology and tools (0.5–1.0m), operating costs (0.5–0.8m), and capacity-building and knowledge transfer (0.5–0.7m). International examples (NL, DK, UK, IR) demonstrate that dedicated budgets are critical to independent and effective implementation; (See Appendix I)



- **Transparent monitoring and accountability:** Introduce public dashboards, harmonised KPIs across sectors, and clear processes to address underperformance. Implement a RACI matrix⁵ to define roles and link budget allocations to measurable outcomes.

Immediate next steps: Form the SteerCo and secure the Prime Minister's mandate, confirm budget allocation, contract the international advisor, establish the PMT with international observers, audit existing accountability practices, and launch routine reporting with real-time dashboards.

I Introduce a Public Accountability Mechanism for Public Administration Performance

FICIL proposes a high-visibility & reputable mechanism to celebrate excellence, highlight risks, and foster a culture of accountability across public institutions.

- Design a flexible annual performance showcase grounded in international best practices;
- Secure the President of Latvia's patronage to lend visibility and credibility;
- Systematically use HR data for annual evaluations and benchmarking to identify training needs and guide performance management;
- Establish public accountability contracts between senior civil servants and the President, with annual disclosure of KPIs and outcomes.

⁵ A RACI matrix is a governance tool that clarifies who is Responsible, Accountable, Consulted, and Informed for each task or decision, ensuring clear accountability and reducing overlap.



OECD's Government at a Glance report finds that in 35 OECD countries, 31 have oversight institutions with investigative powers, and 28 (80%) with enforcement functions. The report indicates that governance mechanisms, such as oversight, fairness and transparency, are strongly associated with higher trust in public institutions.

Drawing on EU administrative capacity-building under the Structural Reform Support Programme, member states like the Czech Republic and Slovakia have piloted annual performance agreements between agencies and oversight bodies, with full disclosure of outcomes to Parliament and the public. These models align with the OECD Recommendation on Public Service Leadership and Capability, which advocates public accountability contracts to embed ownership of results throughout the civil service.

FICIL stands ready to support the Government of Latvia in refining these proposals, facilitating stakeholder dialogue, and mobilising targeted expertise to ensure that 2026 marks a decisive shift toward a more strategic, transparent, and performance-oriented public administration.





APPENDIX 1

INDICATIVE BUDGET STRUCTURE FOR PBB IMPLEMENTATION

This appendix provides an indicative cost framework for establishing and operating the Steering Committee, Project Management Team, and supporting infrastructure. The estimates are based on international practice (NL, DK, UK, IR) and are intended to illustrate the scale of investment required to ensure independence, technical capacity, and sustainability.



INDICATIVE BUDGET AND RESOURCING PLAN FOR PBB IMPLEMENTATION

Category	Estimated Cost (€ million)	Purpose
Personnel & Expertise	1,5 – 2,5	Project Management Team, external advisor, consultants
Technology & Tools	0,5 – 1,0	Dashboards, KPI systems, data integration tools
Operational Costs	0,5 – 0,8	Office, travel, events, and administrative support
Capacity Building & Knowledge Transfer	0,5 – 0,7	Workshops, study visits, and international advisor engagement
Total Estimated Budget	3–5	Ring-fenced for full implementation and oversight



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