The Innovation System of the Public Service of Latvia

Country Scan

Observatory of Public Sector Innovation
March 8, 2021

Contents

Executive summary

Innovation is increasingly important to the effective functioning of governments. The COVID-19 pandemic highlighted that governments need to be ready and able to respond, adapt to and anticipate the unexpected. In order for innovation to be a reliable option for governments, a systemic approach is required. At the behest of the Latvian Public Service, through the Latvian State Chancellery and with the support of the European Commission, the OECD's Observatory of Public Sector Innovation (OPSI) conducted a scan of the public sector innovation system of Latvia. The goal was to examine the forces influencing innovation to create a common understanding of the landscape as a foundation for future decision-making and to provide recommended actions to enhance public sector innovation across the Latvian public service.

Based on research including documents provided by the Latvian government, information about innovative projects, and a series of interviews with stakeholders across sectors, this scan observe that the innovation system of the Latvian public service is in early stages, emerging in the wake of previous reforms, including professionalisation and modernisation initiatives. Common themes identified include that innovation efforts were ad hoc, fragmented, and driven more by individual willpower or happenstance than a strong deliberate positioning within, and as a route to, strategic goals. In this respect, Latvia is in good company, as many governments around the world are learning and grappling with how to ensure a more strategic and consistent approach to public sector innovation.

Latvia notably invested in a whole-of-government Innovation Laboratory, and continues to support the Lab with communications, training, and pathfinder projects to an impressive degree. Together with complementary service design training for practitioners and top-level management, these actions represent specific decisions that can support individuals' capacity to innovate and a number of organisational priority projects. These have been important contributions to the public sector innovation journey of Latvia which are already demonstrating value.

However, the Lab can only take on a limited number of projects, and there is as yet no system-wide directionality for innovation in the public sector. As well, many forces – cultures, policies, laws, and capacity gaps – that exist either as legacies of previous paradigms or in support of goals other than innovation create dampening effects on innovation efforts. While innovation is an ongoing journey of learning and discovery, and there will always be more that could always be done, there is an opportunity for a number of tangible steps to be taken now to speed the evolution and maturity of Latvia's public sector innovation system.

As the complexity, rate of change, and multi-stakeholder nature of public policy and service delivery is increasingly recognised, innovation becomes foundational for a modern public sector as a way to systematically explore, and learn from, unknowable terrain. This report serves as a launching point for discussion on potential future investments, policy shifts and how Latvia can continue to develop and expand its capability and capacity to deliver innovative outcomes for its citizens.

1. Introduction

The OECD, through the European Union's Directorate General for Structural Reform Support (DG REFORM), is providing support to the Latvian State Chancellery and its Innovation Laboratory in the development and sustainability of the lab and improving innovation capabilities among top-level managers. This Excel 2.0 project builds upon an earlier project (Excel 1.0) that was completed in 2019.

One of the core responsibilities of this project is to contribute to:

Increased understanding of the innovation system and identification of improvements through an assessment of the innovation system of the Latvian public sector with recommended actions to enhance public sector innovation across the public sector.

This scan is intended to provide the State Chancellery and the broader Latvian public service with an introductory overview of the public sector innovation system including:

- The case for public sector innovation
- An exploration and explanation of a systemic approach to public sector innovation
- Observations about the current state of the innovation system
- Consideration of the implications of those observations for the innovation system
- The role that the State Chancellery and Innovation Laboratory, among others, can play in enhancing innovation across the Latvian public sector.

1.1 Investigating a public sector innovation system

Innovation is fundamental to effective government, as a changing context requires governments to reassess, adapt and renew what they do. If innovation is fundamental, then it must be treated in a strategic and deliberate fashion, which requires an understanding of what shapes whether, to what extent, and how innovative activity occurs and manifests. This necessitates looking at the public sector innovation system.

A public sector innovation system can be seen as the set of organisations, structures, capacities, capabilities, laws, policies, processes, protocols, traditions, cultures, beliefs and other factors that collectively influence whether and to what extent innovation occurs and the forms that it takes. As innovation ("implementing something novel to context in order to achieve impact" (OECD, 2017a) is shaped as much by beliefs and attitudes as it is by processes and structures, it can quickly become complex to piece together such a system, as the aggregate impact of various pieces is hard to identify, let alone assess (e.g. procurement process, HR systems, government policies, organisational workflows, the relationships between different parts, etc.). In addition, a public sector innovation system is highly dynamic as political and societal expectations about what is needed or expected can change suddenly (for instance, in the light of a pandemic, assumptions about what is needed can literally change overnight).

In order to 'see' and understand a public sector innovation system, the OECD (2019a) uses three complementary frameworks to explore its nature:

- The innovation determinants – what are the core factors that shape whether and to what extent innovative activity will occur in the context at hand?
- The innovation facets – what is shaping the mix, form and nature of the innovative activity that does occur?
- Innovation stewardship – innovation is inherently about what happens in specific contexts, and thus innovative activity will naturally be divergent in how it occurs between those different contexts. What stewardship is in place to observe the system and how it works together in aggregate?

An innovation system is therefore not a precise set of building blocks that can be assembled in a specific form, but a dynamic practice requiring continual attention as the context changes. Small changes to some system elements can change how innovation manifests in seemingly disproportionate ways.

From the OECD Observatory of Public Sector Innovation's previous studies with national governments, there is an emerging understanding of the characteristics of national public sector systems that positively influence whether innovation will occur.

Nonetheless, every country's public sector innovation system will be different, reflecting its different context, priorities and ambitions, capabilities and needs. Therefore, it is important to note that there is no one 'ideal' public sector innovation system. Every system will continually change and evolve just as the national circumstances and context evolve and expectations and demands of government shift.

Thus an innovation system is not something to 'set and forget', but rather something that requires continual reflection and adjustment. This scan is intended to aid the ongoing guidance and support of the system within Lativa, rather than providing an immediate set of 'fixes' that are likely to soon be overtaken by changed circumstances, priorities and needs. The innovation journey should be seen as a sustained one.

1.2 Methodology

OPSI conducts its country work on public sector innovation system through interviews, workshops, and desk-based research to understand and reveal system elements. This process is about drawing out the knowledge and insight within a system, making it visible, and reflecting it back to interested parties and decision-makers. Until the elements of the system are recognised, it will not be possible to meaningfully engage with or try to change it in a deliberate way. An 'invisible' system will mean that relevant behaviours, practices, and processes are shaped by forces unseen, making it unlikely that there will be a clear connection between intent and what actually occurs.

> **Country studies**: in-depth and thorough studies
>
> **Country scans**: preliminary research to generate high-level insights and hypotheses

In Latvia, OPSI took a multi-pronged approach, involving:

- Desk-based research, including previous OECD research on Latvia, grey literature on innovation and innovation systems, Latvian government reports on public administration reforms, national development plans, and documentation about the Innovation Laboratory
- A survey of example innovation projects from across the government of Latvia sent to top-level managers of 71 public sector institutions
- Interviews with ~30 practitioners, experts, observers, and stakeholders across sectors to understand the system elements, timeline, key players, and lived experiences of actors within the system
- Analysis against OPSI frameworks and tools, including the Innovation Determinants and Facets models described below, to situate Latvia's system against patterns and experiences that commonly appear across international contexts.

Additionally, this work provides a mechanism by which to help countries learn from each other. The Observatory does as the name implies: observe emerging practices across (and beyond) OECD member countries to identify common elements and principles, supporting the collective progress of countries. A growing critical mass of practices and approaches are captured in the OPSI case study library, the COVID-19 innovative response tracker, and the toolkit navigator.

1.3 One piece among many – the broader project context

This project takes place within a broader project sponsored by the European Commission and coordinated by the State Chancellery with complementary work:

1. A redesigned operational approach for Innovation Laboratory and lab projects in collaboration with Design Elevator, a Latvian design firm
2. A renewed communications strategy for Innovation Laboratory in collaboration with PricewaterhouseCoopers.

OPSI's role is to provide a scan of the innovation system of Latvia to situate the above work in a systemic context, and to provide the government of Latvia with a baseline for discussion and comparison. In addition, OPSI is coordinating a set of experimentation guidelines for Latvia in concert with Demos Helsinki.

Throughout the project, these players met regularly to share updates and insights. This scan represents an important, but partial element of the project and a foundation for future exploration and development.

This scan report serves as a platform for challenge, addition, exploration, and future action, and as a basis for the development of an action plan for the next steps in maturing the practice and outcomes for innovation across the Latvian public sector.

2. Why innovation?

42 countries, including Latvia, have adhered to the OECD Declaration on Public Sector Innovation. The Declaration (OECD, 2019d) recognises that innovation is a proactive strategy that governments can use to respond to, adapt to and prepare for a volatile, complex, uncertain and ambiguous context, one where governments are dealing with a range of competing priorities and large scale challenges (e.g. the pandemic and climate change).

The coronavirus crisis has helped to illustrate the degree to which the innovation agenda is no longer abstract or disconnected from the work of the public sector. Innovation was an essential part of the public sector's capability to deliver on societal needs and government aims from across countries, and the crisis was a clarion call for why governments both can and should innovate (OECD, 2020d).

While governments around the world are already innovating (including, as clearly demonstrated in this scan, the public sector of Latvia), and many governments (again, including that of Latvia) rolled out innovative responses rapidly in reaction to the pandemic, more can clearly be done.

Whether it be working to deliver on the Sustainable Development Goals, ambitious national priorities regarding economic and social priorities, or simply achieving better outcomes at the level of a government ministry or subordinate team, the coronavirus crisis has revealed the dangers in assuming that tomorrow will be the same as yesterday. Whatever happens next, it is difficult to conceive of a situation where innovation – applying new thinking, new methods, working in new ways, partnering with stakeholders in different ways – will not be a part of the work of the public sector. In the shadow of the pandemic, a legitimate question to ask is "What goals, ambitions or priorities do we have where we do not see there being a need to try and to test novel approaches in order to succeed?"

Yet innovation, as both a process and an act of 'going against the status quo', is fundamentally challenging – introducing something new involves trying to shift the established order, involves uncertainty and risk, and extending beyond what is comfortable and known. This is especially so in the circumstances where there is not a highly visible, immediate and pressing crisis in play. In some ways, a crisis can provide the ideal conditions for innovating – there is an overarching and strong case for change and the risks of not innovating are far more obvious than the risks of trying something new. Yet waiting for a crisis to arise cannot be a responsible strategy. Therefore, commitment to a public sector innovation agenda is crucial for strengthening government capacity to respond to current and possible future challenges for the benefit of the people they serve.

Beyond the obvious reasons illustrated by the COVID-19 pandemic, innovation is important for the public sector for a number of reasons. Finding and learning about new ways of doing things can help the public sector:

1. Deliver on political commitments and promises, realising new means to achieve public ends
2. Improve the efficiency of government and its operations and services

3. Improve service delivery and achieve higher quality results and outcomes for citizens and service users
4. Build more effective, reflective and proactive institutions and public sector organisations that are suited to a changing environment and evolving and emerging needs.

Innovation is therefore an important mechanism by which the public sector can do better for people.

Of course, innovation is not the only mechanism available to the public sector; innovative activity is not always going to be an appropriate response, and there are tried and tested approaches that will often still be appropriate. In addition, While innovation can help the public sector achieve and realise significant benefits, it is not an automatic good, just as not all change is beneficial. Innovation therefore needs to be guided rather than left to occur on its own accord. Yet, if anything, these cautions reinforce the need for a deliberate and considered approach to public sector innovation. The uncertain nature of innovation means that care must be taken, both for when it might and might not be appropriate. And while innovation is uncertain (because it is about doing something new to the context), it can still be strategically guided.

2.1 The increasing importance of a systemic approach

This strategic approach is particularly important as the operating environment becomes more uncertain. Innovation becomes more important when the world is changing faster and faster, accompanied by sometimes rapid shifts in direction. As the world changes in more ways and to a greater extent, so too do the needs and expectations of citizens, requiring changed responses or changing aims from government. A government, a ministry or a team cannot realistically expect that what they do, and what they should be doing, will not need to also change.

In parallel, there is a growing understanding of how complex and interconnected policy issues and areas are, meaning that cause-effect relationships can rarely be perfectly understood in advance. Public sector innovation is, at its core, a structured learning process: understanding problems and generating and testing possible solutions, allowing a structured and systematic exploration of complex problem spaces, such that successful approaches can emerge in particular contexts, and be scaled up if/as appropriate to broader parts of the wider system.

The public sector innovation agenda is thus both about learning how to engage with and navigate an uncertain and complex world, and a responsibility of effective governments responding to, and sometimes anticipating, changing citizen needs.

Public sectors around the world are thus increasingly recognising the importance and necessity of a systemic approach, putting in place specific policies, organisations, cultures, personnel, capacities, and other elements that work together to support innovation – or addressing existing systematic barriers or deficiencies which are often legacies of previous governance paradigms.

A systemic approach, naturally, has implications for all parts of the public sector innovation system. For instance, for:

- Politicians, who set the aims and ambitions that guide the work of the public sector, as well as deciding the resourcing and constraints within which the public sector must operate and the extent to which experimentation is possible and tolerated.
- Senior leaders, who translate those ambitions and aims into the strategic priorities of their organisations, and who through their messaging and leadership set the level of 'permission' and capacity that staff have to experiment and test innovative approaches.
- Managers, who in their pursuit of ensuring that operational responsibilities are met, have an important role in whether there is the opportunity for their staff to effectively contribute to and help deliver upon innovative initiatives.
- Working level staff, who in their work have the opportunity to identify emerging shifts in their work, the needs of citizens, and opportunities for change, as well as determining the ultimate success or failure of new approaches by how they engage with them.

It also has bearing for those outside of the public sector but who help shape the public sector innovation system, such as the media, industry, not-for-profits and citizens in general.

Thus in order to take a deliberate, strategic and systemic approach, it is first necessary to identify and make explicit the public sector innovation system – e.g. the actors, assets, relationships and flows of information, technology and resources – that influence the prospects for innovation. Developing a common understanding of the system allows officials to identify the roles already being played and to assess areas of opportunity, including how different elements will interact with each other, and where intervention may be required. For instance, a cultural/communications investment promoting innovation might suggest specific behaviours, but these behaviours would have to align with policy and legal frameworks. This is the goal of this scan.

While the focus will often be on the actions the public sector can take, this must be considered within the context of the cultures, actors, and organisations outside the public sector and how they influence and relate to public sector innovation. This may be as partners, watchdogs, inspiration, extra capacity, or stakeholders.

In short, there is a need for explicit attention to national public sector innovation systems and their functioning. Ultimately, this represents the ability of a country to consistently and reliably develop and deliver innovative solutions that contribute to achieving the goals and priorities of the government and the citizenry.

3. The Latvian context

As discussed, for an effective understanding of the public sector innovation system, it is important to take an approach that is respectful and appreciative of the specific context being looked at. This section starts with a brief background on the country, putting it an international context, and exploring the extent to which innovation is required or needed within the Latvian context.

3.1 A brief background on Latvia

The OECD's 2019 Economic Survey of Latvia concluded that "the Latvian economy is thriving, with strong job growth driving convergence with more advanced economies (OECD, 2019b)." More recently, however, economic growth started slowing before the COVID-19 crisis, which is forecasted to cause a sharp decrease in economic activity. Private sector innovation is an area of opportunity, with relatively low research and development spending and an insufficient numbers of researchers (and accordingly, research partnerships). Private sector innovation can have a positive impact on public sector innovation in a variety of ways: driving supply of innovation skills, developing creative ecosystems and cultures, building testable innovations, and so on.

Latvia's population is approximately 1.9 million, which has been decreasing since 1989, though the decrease has been slowing in recent years.
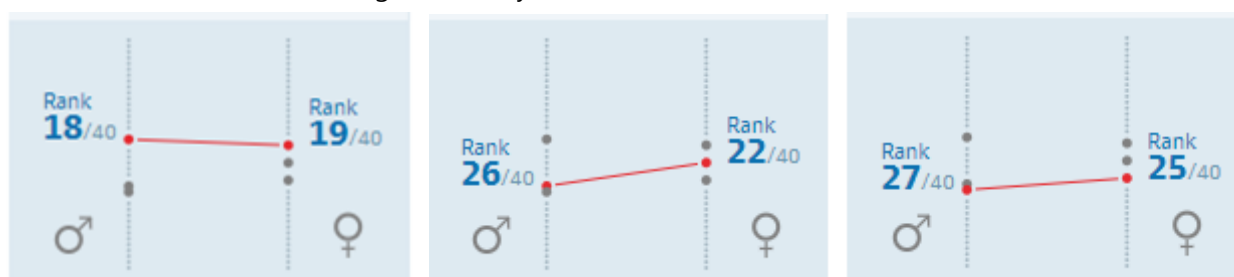
Figure 3.1: mathematics, science, and reading, respectively

Scan interviewees raised concerns about Latvia's supply of highly-educated entrants into the labor market. The OECD's 2018 reviews found that Latvia is ranked 18/19 (male and female, respectively) out 40 countries for mathematics, 26/22 out of 40 for science, and 27/25 out of 40 for reading (World Bank, 2020).

The government has recently undertaken a variety of reform initiatives, including measures to reduce regulatory burdens to business, namely the "Consult first" initiative setting a norm to provide advice on compliance before sanctioning businesses. Latvia is also a leading digital country, passing laws to promote digital services and simplified administrative procedures, including for starting businesses. Latvia e-government rankings differ between methodologies, but the 2018 EU e-Government Benchmark report puts Latvia as a top performer for both reach and digitisation, and Latvia's digital identity infrastructure is progressive (European Commission, 2018).

Latvia's recent efforts to foster an innovative government are set against a longer backdrop of public sector reform and professionalisation initiatives, and that is set against increased economic and political integration with Europe, including joining the European Union in 2004

and the OECD in 2016. Many of the reform efforts for Latvia appear to have concentrated on core administrative concerns, in particular public sector employment and management, with a more recent focus on digitalisation and transformation.

Box 3.1. A timeline: Some milestones and developments in Latvia's historical public sector innovation journey

2020
- COVID-19 pandemic and rapid adjustments by the public sector, including significant digital transformation elements.
- Ending of 3-year reform plan requiring agencies to reduce budgets by 6% (budgetary measure of the State Chancellery) and other measures to modernise public administration and improve their capabilities.

2019
- The learning and development programme for senior level managers from 71 public institution focusing on an "Innovation and experimentation" theme. Service design course and design thinking courses introduced for senior managers.
- The Innovation Laboratory, then operating as three semi-separate labs, generated 16 prototypes.
- Latvia's first open hackathons, including a 5G policymaker hackathon to explore ideas about 5G regulation, involving experts, lawyers, policymakers and industry players to explore what regulation should do or could be to aid innovation in this area.
- The Government of Latvia adhered to the OECD Declaration of Public Service Innovation and Ministry heads developed an Innovation Manifesto.

2018
- School of Public Administration creates design thinking programmes to train public servants through a 'train the trainer' model.
- Establishment of an informal network of innovation enthusiasts sharing ideas, mindsets, and practices.
- State Chancellery established the Innovation Laboratory.

2013
- Reform effort for a 'small, efficient and professional public administration' undertaken for the public service, including initiatives to optimise processes, measure performance results, motivate talented employees, improve classification of posts and provide uniform and competitive remuneration.

2012
- Creativity Week organised by Ministry of Culture and British Council of Latvia, including a creative bureaucracy project involving the Ministry of Culture, Ministry of Economy and working with NGOs and the private sector.

2008
- Global financial crisis and restructuring of government and reduction of a range of functions and expenditure.

2001
- Enactment of the Administrative Procedure Law, setting out the core procedural rules for the public sector and the rights of citizens.
- Creation of the Policy Coordination Department in the State Chancellery, a central point for innovation and management reform initiatives.

This 'journey so far' in regards to public sector administration reform and innovation highlights a growing but recent and emergent explicit focus on innovation as a core concern within the broader public administration concerns.

3.2 Broader goals and priorities

Latvia has a number of immediate, medium and longer-term policy priorities, each demonstrating implicitly or explicitly the need for new approaches or novel, and hopefully better, solutions. These priorities are nestled within a multi-tiered planning process for its public administration (see Figure 3.2).

Figure 3.2: Latvian national development planning process

Source: Cross-Sectoral Coordination Centre (2020a)

The *National Development Plan of Latvia for 2021-2027* (Cross-sectoral Coordination Centre, 2020b) outlines 6 priorities:

- Strong Families, a Healthy and Active Population
- Knowledge and Skills for Personal and National Growth

- Business Competitiveness and Material Well-being
- Quality Living Environment and Regional Development
- Culture and Sport for an Active Lifestyle
- A United & Open, Safe and Secure Society

"The NDP2027 consists of four strategic objectives that frame policy for the next seven years, and eighteen directions grouped in six priorities. Each direction includes policy outcome indicators, measures, and at least one designated responsible authority. Co-responsible authorities and/or civil society organizations also designated. In addition, indicators are attributed to specific measures. These form the monitoring of sectoral policy." (Cross-sectoral Coordination Centre, 2020b: 10).

Each of these priorities includes a range of subordinate goals and associated measures and indicators, to varying degrees of specificity. These contain a mix of pre-existing issues and areas where the government is seeking to improve on current levels of performance, such as "Adaptation of the surroundings in educational institutions; development and provision of special teaching aids and other support for children and young people with disabilities and special needs" and newer ones such as "Strengthening media literacy through formal and nonformal education that encourages identification of fake news and disinformation, and critical thinking" where a new context (social media and disinformation) requires brand new solutions.

Such plans are valuable in guiding investments, prioritisation and decision-making, and act to articulate political demands into bureaucratic priorities. However, a recurring theme throughout this report is that in complex and uncertain environments plans relying on specific approaches with knowable inputs and outputs require ongoing revisiting lest they become outpaced by events. The need for accountability in government is most easily served by measurement against clearly articulated goals, which causes tensions with more agile, experimental and entrepreneurial approaches in situations where continuous learning works best. This is not to say that such plans are not needed or that they are incompatible with innovation, but rather that there are trade-offs between specific goals that can drive performance and being flexible enough to adjust to what is being learned operationally 'on the ground'.

In short, there are a number of goals and specific targets where innovation by and with the public sector is likely to be a necessary part of success. However, it is less clear from the plans published and the administrative reforms undertaken thus far that there is a clearly articulated sense of how and to what extent innovation is expected and enabled by the current system.

The following section explores what might be involved in a systemic approach to public sector innovation in order to better identify what might be needed in principle, before looking more deeply at the specifics of what is in place when taking an innovation-specific lens to the Latvian context.

4. Taking a systemic approach to public sector innovation

A systemic approach to innovation is important for the success of the Latvian government in achieving its aims and in being effective and relevant in a changing environment. If the Public Service of Latvia is to take a deliberate, consistent and reliable approach to innovation, the OECD has identified that there are three elements that need to be considered:

- Whether innovation (activity, projects, outcomes) happens in a consistent and reliable fashion – i.e. when a problem arises, are there innovative options that can be mobilised or quickly developed?
- Whether the type of innovation (activity, projects, outcomes) is matched to the context – i.e. do the innovative options on offer account for a range of aims and needs?
- Whether the innovation that occurs, when seen in aggregate across the entire system, is optimal and whether the systems maintains coherence across potentially large numbers of innovative endeavours – i.e. if there are lots of innovative projects, does the public sector still have the necessary level of interoperability, interdependency and complementarity needed to function effectively as a cohesive and coordinated entity?

Drawing on the OECD's previous investigations of national public sector innovation systems (OECD, 2020b, 2019a, 2018a), for each of these questions a corresponding element of what to look for in the system has been identified, along with an associated element of the OECD framework.

Table 4.1. Core questions, components and frameworks for public sector innovation systems

Question	What to look for/at in the system	Relevant element of the OECD framework
Is there innovative activity happening and is it happening to the extent that might be needed?	What affects whether and what extent innovative activity occurs?	Innovation determinants model
Is the innovative activity that is happening responding to a range of needs, both current and future-oriented?	What patterns emerge in what innovation is currently taking place? Is it top-down or bottom-up? Is it focused on current activities or desired future states?	Innovation facets model
Is there regard to the aggregate impact and interplay of the different parts and outcomes of the varied parts of the system?	What overview or oversight of the system exists and who can do anything with that knowledge?	Innovation stewardship

Together these help provide insight into the core factors shaping a public sector innovation system, how it performs and points of leverage or intervention that can be used to steer that performance.

4.1 Innovation determinants model

In its inaugural public sector innovation system study looking at the Public Service of Canada, the OECD (2018) introduced a new model for understanding the underlying determinants of innovation. This 'determinants model' provides a framework for understanding the forces that shape whether and to what extent innovation occurs, and in turn, how those forces may be influenced. The model thus contributes to working towards a public sector innovation system that can consistently and reliably develop and deliver innovative solutions that contribute to the achievement of the goals and priorities of the government and the citizenry.

The determinants model distinguishes between innovation activity at three different levels.

> The individual: individuals, on their own or with others can undertake innovation activity. Often individuals will be better attuned to when there are changes in the environment or new possibilities or issues arising where innovation may be needed, being better able to shift their perspectives than organisations. Such innovation will often be focused on specific projects.

> The organisational: organisations will often have a range of innovative initiatives going on at the same time. Organisations can marshal resources and coordinate efforts in ways that individuals rarely can, and are generally built around specific purposes such as health or education.

> The system: the public sector as a whole involves multiple government agencies, interactions with citizens and businesses. Innovation at this level relates to how collective aims and needs can be met by ensuring a diversity of activity.

The value of these three differing levels of consideration is in helping consider how innovation as a process and activity plays out differently depending on the scale at which it occurs. Innovation carried out by a single person is very different to that at a whole-of-country level. Innovative activity at each 'level' needs to be supported, encouraged and enabled in different ways.

Also important to recognise is that in the absence of a system-level approach for innovation, varied organisational-level approaches will instead be found, with different Ministries or sub-organisations defining their own supports and paths for innovation. Other organisations will simply neglect to develop a defined stance. (This characterises the current state in Latvia; certain organisations, often during certain leadership tenures, were seen as "leaders" and "bright spots" on an ad hoc basis.)

Table 4.2. Characteristics of innovative activity at the three different levels

Individual	Organisational	System
Innovation is led by individual efforts, whether leaders or intrapreneurs, and is thereby inherently determined by individual willingness and ability to go	Innovation is led by organisations and their strategies, priorities and needs, and is thereby inherently determined by the partial concerns and	Innovation is led by system-wide needs and priorities, and is thereby potentially less agile and responsive to the needs of individual programs

against the status quo and established understandings and practices. Innovation led at this level is highly vulnerable to personnel changes or the extent to which people sustain their efforts or give up.	perspectives of each, Any broader approach will depend upon the willingness and ability of organisations to take a more holistic view despite likely incentives and pressures.	and service areas in their specific contexts.

In turn, in the absence of system-level and organisational-level approaches, innovation will instead be led in an unreliable and unpredictable manner by individual employees pursuing more specific priorities. And, as with organisational innovation, innovation will in many cases simply not occur with the pace and scale required for the problems at hand, as individual efforts fail to reach the scope and scale needed. As well, without a strong collective sense of how innovation fits into the wider public sector goals, and how to achieve it, individual innovators will often end up frustrated, exhausted, and in some cases in conflict with their own organisational structures or hierarchies, pursuing what they think is needed but experiencing push-back from their wider context. From interviewees, this experience was true in the Latvian context.

The determinants model outlines the four core determinants of innovation and how they manifest at each different level of focus:

> Reason: innovation acts against the status quo and incumbent options, which are usually well entrenched or established. Therefore, there needs to be a reason for innovation to occur, whether it be a specific problem, a crisis, a disruption, or a change in context. At the system level, this manifests as a need for *clarity* about what innovation is, why it matters, and how it relates to other priorities.

Box 4.1. *Clarity* through Ireland's Innovation Strategy

Ireland has published a [public sector-wide innovation strategy](#), providing public servants with clear guidance on how innovation fits into the government's goals and how it can and should work in context. (Discussed in more detail later.)

> Possibility: there needs to be the possibility for innovation to occur, whether it be from new resources being made available, the removal of barriers, or strong commitments from the organisational or system levels. At the system level, this manifests in terms of whether there is *parity* between innovative options and existing, traditional, well-understood options when it comes to decision-making.

> Capability: even if there is the possibility of innovation happening, this does not mean the capability to actually undertake it will exist or be available, as innovation involves doing something new or doing something differently. Therefore, there needs to be the capability for innovation, whether it be the technological options, the necessary expertise or skills, the processes and structures necessary to enable or support it, or the

relevant systems and infrastructure. At the system level, this manifests itself as a question of *suitability* for taking up the new options that may arise.

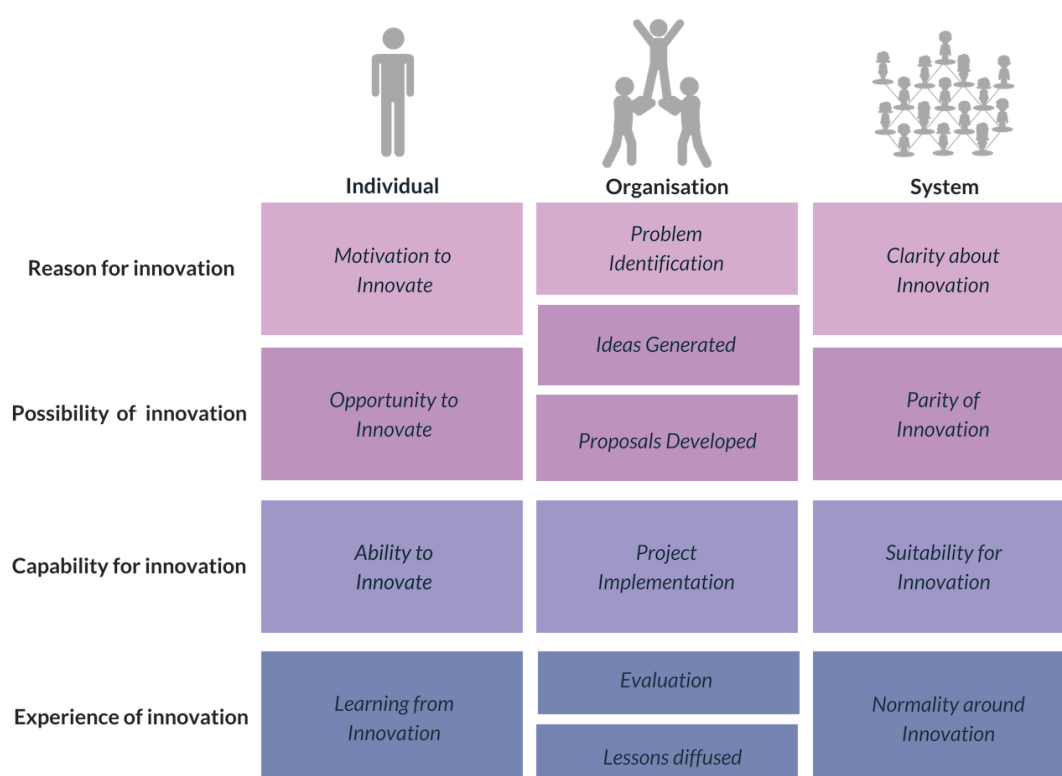Box 4.2. *Capability* through Canada's Digital Academy

Canada's Digital Academy recognized that public servants will default to patterns and approaches they already know. This training program focused on leading people through [a practical, design-led learning](#) to provide both the skills and the *experience* necessary to apply leading digital approaches to service delivery.

Experience: while there might exist the capability for innovation, this does not mean that it will automatically succeed or become embedded into, or integrated with, other programmes, policies and processes. There needs to be some form of reinforcement or payoff. Therefore, a positive experience of innovation helps reinforce innovation, whether that experience be the introduction of feedback loops that help a relevant innovation improve, the getting of insight into how to improve an innovation, or progress in scaling an innovation. At the system level, this manifests itself as *normality* – whether innovation is seen as being part of the day-to-day rather than being exceptional.

Box 4.3. Reforming government through *experience*

A principle that started in the UK Government Digital Service, and has since spread to many government digital units, recognises that these teams benefit from top-level support and policy exemptions. The principle of "make the right thing the easy thing" is about using the momentum of successful approaches to change processes and policies to make it easier for all teams, throughout governments, to follow the same path.

Figure 4.1. Innovation determinants model

	Individual	Organisation	System
Reason for innovation	*Motivation to Innovate*	*Problem Identification*	*Clarity about Innovation*
Possibility of innovation	*Opportunity to Innovate*	*Ideas Generated* / *Proposals Developed*	*Parity of Innovation*
Capability for innovation	*Ability to Innovate*	*Project Implementation*	*Suitability for Innovation*
Experience of innovation	*Learning from Innovation*	*Evaluation* / *Lessons diffused*	*Normality around Innovation*

The innovation determinants model also provides a range of points of intervention that can be used to influence the system-level (see Annex B).
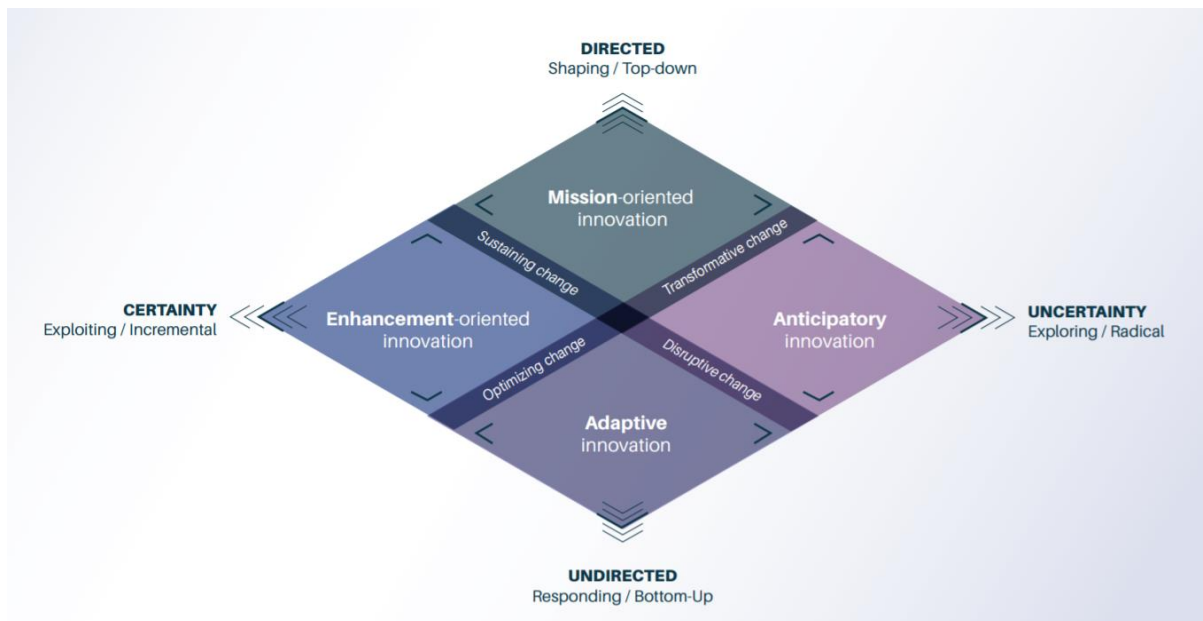
4.2 Innovation facets model

The determinants model provides a framework for considering the aggregate impact of the system components (e.g. the organisations, capacities, laws, policies, processes, and cultures) in shaping whether and to what extent innovation occurs, and understanding points of intervention for influencing that. The innovation facets model (OECD, 2018b) complements this lens by giving insight into how any resulting innovative activity manifests, examining the purposes and intents of that activity across four "facets":

- enhancement-oriented innovation, where the focus is on upgrading practices, achieving efficiencies and better results, and building on existing structures
- mission-oriented innovation, where there is a clear goal to be achieved, requiring new approaches and responses
- adaptive innovation, which focuses on responding to a changing environment with new attempts
- anticipatory innovation, which is about engaging with new shifts before they become established.

This multi-faceted nature of innovation is presented in Figure 4.2.

Figure 4.2. OECD Public sector innovation facets model

The facets model helps to give insight into the mix of innovative activity taking place and whether it is aligned with organisational or system-level goals, and whether it supports the organisation's capacity navigate uncertain possible futures. An analysis of a sample set of Latvian projects through the facets model follows later in this report.

4.3 Stewardship

It is increasingly recognised that organisations must take a holistic "innovation management" approach to the functions that support or influence innovation outcomes (Magnusson and Karlsson, 2019). As these individual organisational functions are distributed across responsibilities, but affect the public sector innovation system, it is important that a central body takes on a role in visualising and appreciating the system and its functioning overall. This could be organisations or officials responsible for the workings of government: central agencies, internal policy leads, transformation or change management heads, or otherwise. In other words, the public sector innovation system requires a degree of *stewardship* (OECD, 2019). Without some part of the system having visibility of the system as a whole, individual and organisational incentives, priorities and responsibilities will pull the functioning of the system in different directions, without consideration of the functioning of the system as a whole. This stewardship should have regard to:

- The fragmentary nature of innovation. As innovation is a context-driven activity, it will tend to pull in different directions. For instance, an innovation in one city might look different to an innovation in another city, because of the different specificities of their contexts. Over time, this tendency can fragment the broader regional or national system. While a range of processes (e.g. standardisation, budget processes, etc.) have

traditionally reconciled this tendency of divergence, as the rate of innovation increases it is likely that a more concerted approach may be necessary.

- Whether the mix of activity being undertaken is appropriate, all other things being equal. Structural drivers and characteristics within the system are likely to push innovation activity in certain directions by default rather than by deliberation, which may not best serve the overall needs.
- Harvesting and reflecting on core lessons. As different experiments and innovative attempts occur across the system in different contexts, those involved will learn much about how to support innovation to obtain better outcomes. However, these lessons are unlikely to translate easily between different organisations and settings, and the implications might not be easily understood when viewed from the perspective of a specific context. Stewardship can assist in pooling and distilling the importance of those lessons.

4.4 Applying the frameworks to the Latvian context

Each of these elements provide a means for considering the different elements of the performance of the public sector innovation system and how each of them can be influenced. The next step is to apply these lenses to the context and findings from research in Latvia, noting that the purpose of the public sector innovation system scan is to provide an indicative rather than definitive analysis of the system.

5. The public sector innovation system of Latvia

The following provides initial observations drawn from the research and interviews. This is not intended to be a comprehensive or definitive assessment of the performance of the innovation system of the public service of Latvia. However, it does provide a qualified view and provides the basis for making suggestions as to what needs to be done to better match the performance of the system with the needs and ambitions of Latvia.

In reading this assessment, it is important to appreciate that public sector innovation is an area of extensive and ongoing learning, with progress leading to revelations and further questions about what is needed. The public sector innovation journey is an ongoing one, and therefore there is always room to improve. Therefore, while this scan documents some of the achievements thus far, the inevitable focus is on what is left to improve and where further efforts may be needed. In this sense, the scan should not be taken as a critique but rather a stepping stone to help articulate the ambitions and needs of innovation by the Latvian public service and what might aid the further maturation of the system.

Box 5.1. A high-level overview of the innovation system of the Public Service of Latvia

The Public Service of Latvia appears to have a growing but still emerging innovation system. There have been some important keystone interventions, such as the establishment of the Innovation Lab under the State Chancellery, consolidated efforts in building capacity and awareness through training for public servants (both working level and leadership), and a diversity of innovation projects (though many are focused on digitalisation or digital transformation). High-level plans do not yet explicitly identify innovation as a consideration, and administrative processes are not yet often explicit about how they can intersect with or support innovative efforts, reflecting reform agendas that have not yet placed innovation as a core issue. There are growing communities of practice and informal networks to share experiences, although innovation is not yet a major part of the official responsibilities of many staff, a major part of their core responsibilities, or seen as an expected and natural part of their role. The crisis associated with the COVID-19 pandemic has demonstrated that innovation is certainly possible, and helped to illustrate its necessity and value, but innovation is not yet a self-sustaining agenda within the Latvian context.

5.1 Latvia in an international context

No national government has a system completely aligned with innovation (and nor should one). Novelty will always be in tensions with elements of dependability, reliability, consistency and predictability which are generally expected features of sound governance. As a starting mindset and toolkit, innovation has its place in a subset of circumstances where it is more likely to provide value than the continuation of existing activities. However, unlike in the private sector where an actor can develop a business plan around an innovative activity or business model, be it incremental or radical, and pursue that with *limited liability* should they fail, the public sector lacks that structural experimental freedom and incentive provided by competition. Public sector innovation, to a greater extent, requires correctly assessing in which situations innovation is the best approach, navigating a learning curve for organisations, finding or building less common skills, and accepting at least the perception of risk. In both the private

and public sectors, the rates of technological and social changes influence the slope of that learning curve and influence the costs and benefits of adopting pro- or anti-innovation organisation designs.

That is, some of the systemic elements that influence the prospects for innovation are universal to *innovation as an approach*. Some elements are universal to *public sector innovation* due to structural differences in goals, policy environments, and incentives to those of the private sector. Some elements are universal due to *long-term, global trends*, such as technological and social change.

While this scan focused on those elements that are unique to Latvia – those that are either underdeveloped or overemphasised – the universal elements still influence the system and must remain in consideration. For example, the idea of "risk aversion" is nearly universal across contexts, and so seems unremarkable to include in an analysis. On the other hand, it is evidence-based, potent, and – if increasing innovation is a goal – definitively one of the counterweights that organisations have to design structural supports to overcome.

With that said, Latvia's experience does indeed align with the model and experience of many other countries:

The skillsets and mindsets that are often useful in the current wave of innovation activities are still nascent in private, let alone public sector contexts. Some fields have only recently emerged, splintering off from tangential and foundational disciplines (e.g., digital user research coming from ethnography and sociology). OPSI has previously researched innovation skills for government and identified a set of six core skills: iteration, data literacy, user centricity, curiosity, storytelling, and creative collaboration (insurgency) (OECD, 2017b). Methodologies that support these skills areas include: design, technology, user research, facilitation, prototyping, innovation strategy, stakeholder engagement, partnership-building, and analytics.

Public sector legal and policy frameworks were often designed for predictable and steady outputs, which can be at odds with iterative development, experimentation, and exploratory interventions into complex policy spaces. Traditional public procurement, for instance, is geared towards defining specific requirements, receiving aligned goods or services, and having recourse if something goes wrong. However, often the nature of the problem to be solved is only revealed through testing and experimentation; here innovation approaches are optimal, but difficult to procure through traditional means that support set milestones and deliverables.

Most jurisdictions face a tension between forward-looking programme experimentation and resource constraints. While innovation can emerge from both freedom and from constraints, constraints tends to drive either small-scale, incremental cost-saving improvements or crisis-driven reforms. On the other hand, continuous experimentation across scales and scopes of government work, that allows the identification of good and best practices, is better served by a degree of flexibility. For instance, service channels can develop prototype improvements in parallel without changing the ongoing system; social policy interventions can start with localised, controlled pilots. However, in resource-constrained environments, as most public administrations are, maintenance and "keep the lights on" resourcing can often crowd out innovations that would in the long run lead to significant efficiency and effectiveness gains, cost reductions, or improved services.

Unsurprisingly, given these conditions, it is also clear that innovation is often treated as a secondary consideration rather than being seen as or embedded in plans and strategies as a primary means of delivering upon government goals and priorities.

While these are common challenge areas, they manifest differently in different countries and contexts, and so it is the case for Latvia's system. There are also elements and perceptions unique to Latvia that became clear through research.

5.2 Steps taken thus far

Before exploring further the specific challenges and opportunities, it is useful to recap a number of important steps have already been taken in the context of the Public Service of Latvia. This has included:

- Training of the leadership cadre of the public service on key innovation concepts and thinking
- Endorsement of the OECD Declaration on Public Sector Innovation and a tailoring of its implications to the Latvian context through an Innovation Manifesto
- Establishing training as part of the Latvian School of Public Administration around design thinking and experimentation
- The establishment of the Innovation Lab to help introduce the application of new methods, building of capability and providing a nexus point within the broader system and ecosystem
- The establishment of the informal innovation enthusiasts network
- Ongoing efforts by leadership to encourage and support innovation as a part of the identity and culture of the Public Service of Latvia
- A strong foundation in digital infrastructure, including digital identity, which has led to a variety of projects to streamline service to citizens and businesses.

These and other steps have helped to get to a position where a deeper look at the innovation system can be helpful, in order to see where there are gaps and opportunities, and to reflect upon what the priorities should be within the context of Latvia.

5.3 High level observations

The following high level observations, based upon research and interviews, provide a starting point to understand and start to describe the public sector innovation system.

Table 5.1: High level observations

The system is at an early stage	A variety of partial and incomplete drivers of innovation	A lack of a clear sense of mission in relation to innovation
A fragmented system	There are as many barriers as drivers (real or perceived)	The public sector is capable of change (but not always enthusiastic)

A disconnect between strategic intent and activity on the ground	A highly legalistic system	A nascent understanding and appreciation of the Innovation Laboratory
Mixed performance across the system	An administrative context not aligned with innovation	Innovation in a crisis
An interconnected system of influences on innovation prospects but without defined roles	Innovation efforts tend towards improving existing programs, services, and processes rather than exploring the new	Emerging promise but much more to be done

The system is at an early stage

Latvia is in the early stages of developing a systemic approach to public sector innovation. While it is clear that this maturity is growing, and specific interventions are emerging (the creation of Innovation Laboratory, the formation of an informal innovation enthusiasts network, the introduction and growing use of design thinking, the digital transformation agenda, as well as the development of a range of innovative projects), it appears that innovation is, in general, tied to specific projects rather than a system-wide or concerted agenda.

A fragmented system

The system was often remarked to be fragmented, meaning that there appears to be no consistent approach or process for innovation across the system, and this was backed up by the divergent experiences and understandings of the system (including how innovative the public service is and needs to be). The system appears to involve more of an ad hoc and often reactive approach to innovation, thereby meaning that successful projects in one domain do not necessarily lead to the relevant practices or lessons spreading to others.

A disconnect between strategic intent and activity on the ground

A number of participants suggested that while some important strategic steps had been taken (e.g. engaging and introducing senior leaders to innovation as a practice), this had not necessarily yet led to widespread practice and success in implementation of innovative efforts. This observation was supported by the general lack of a clear articulation of organisational support for, and expectations of, the innovation process, such as innovation strategies or structured internal innovation programmes.

Mixed performance across the system

Accordingly, interviews highlighted mixed innovation performance, with differing agencies regarded as being higher performers than others within the system. While there is evidence of cross-agency efforts, such as the introduction and encouragement of training in design thinking, it was felt that the competence and confidence in innovation is still lacking beyond individual pockets. This is supported by a seeming lack of high-profile cross-agency innovation efforts.

An interconnected system of influences on innovation prospects but without defined roles

Also reflective of these early stages, interviews and research suggest there are some gaps in structured ownership and responsibility for supporting and developing the public sector innovation system. While there are some specific emerging roles (especially for the State Chancellery, Innovation Laboratory, and the School of Public Administration) and more established formal functional roles that are relevant (e.g. State Audit, digital transformation within the Ministry of Environmental Protection and Regional Development, innovative procurement within the Ministry of Economy), it does not appear to be clear which agencies or positions have responsibility or regard for parts of the public sector innovation system.

A variety of partial and incomplete drivers of innovation

While there is clearly a growing momentum for innovation, with an increased awareness of its importance and necessity, this does not yet appear to be matched by any strong forces to sustain and drive the public sector innovation 'agenda' beyond specific initiatives and leadership pushes. The Innovation Lab may be able to play a role here as it becomes more mature and established, however its ability to consistently influence the whole of the system will have to be proven.

...and there are at least as many barriers, real or perceived

A common perception of interviewees was that existing procedures and processes in place to ensure accountability are at odds with innovation, with procurement and audit frameworks being most frequently cited. While examples were cited of where the barriers could be overcome or circumvented, or where processes actually allow for innovative efforts, this appeared to be more on an exception basis, where the efforts of navigating the bureaucracy fall upon the initiating party.

A highly legalistic system

A number of interviews emphasised the highly legalistic and prescriptive environment of the public sector in Latvia (referred to as a "lawyer's dictatorship" by one interviewee), with an approach commonly reliant on legislating first rather than exploring the context or looking to how things are working on the ground and then assessing what the response might need to be. It was suggested that substantive change may require changing the relevant legal frameworks. This is a hard issue to objectively measure, however it is also one where perceptions are as important as 'reality', in that alternative approaches are unlikely to succeed while people believe that legal compliance and clarity are going to be a necessary pre-condition or critical factor.

An administrative context not aligned with innovation

While there was a sense that while the *system overall* needs more innovation, there was a mismatch between that need and the incentives for individual public servants, whether working level or executives.

Innovation efforts tend towards improving existing programs, services, and processes rather than exploring the new

A range of innovation projects identified by ministries were analysed using the OECD's Innovation Facets model (2018) to gain insight into the mix of innovation activity occurring, which tended to be characterised by a focus on improving existing processes, typically through digitalisation. There was less evidence of more radical, anticipatory innovation, or engaging with technologies and business models that are potentially disruptive (outside of a narrow range – e.g. 5G).

A lack of a clear sense of mission in relation to innovation

The interviews suggested that the absence of a specific, actionable mission was hampering the public service's progress, including for innovation. That is, there was a sense that Latvia was trying to do everything at once rather than create focal points around outcomes (e.g., world-class service to citizens, become the leading digital nation, create a thriving environment for the private sector, etc.). While the high-level national development plans provide extensive detail about what is to be achieved, interviewees uniformly reflected that those plans are broad and it is difficult to identify priorities within them to guide and shape general innovation efforts. To promote innovation across a distributed system of organisations, practitioners, and contexts, leaders should focus on setting desired outcomes and guiding principles for innovation. In this way, they can facilitate a system in which many decisions can be contextually appropriate while contributing to a common goal for public sector reform. This relate to the *clarity* determinant: do public servants understand how innovation fits into, and supports, the wider system goals? Do they have clarity on what is expected of them in terms of leveraging innovation to achieve priorities, and which priorities?

The public sector is capable of change (but not always enthusiastic)

It was suggested in interviews that Latvia has abundant experience with externally-driven changes and a track-record of adapting to and engaging with change (this was also demonstrated by some of the rapid responses to the COVID-19 pandemic). Equally, however, it was suggested that while the capability exists, there are also degrees of reluctance or resistance. While there are clearly passionate individuals working to change things, both within and without the Latvian public sector, it is less clear what that there is a broader 'movement of support. A test of the truth of this will be how quickly there is a return to default settings as the COVID-19 crisis evolves and hopefully eases, or whether the momentum is built upon..'

A nascent understanding and appreciation of the Innovation Laboratory

Innovation Laboratory is clearly starting to play an important role in the system, however interviews revealed that as yet it is not well known nor is its role necessarily understood by other Ministries or the broader ecosystem. This appears to be a function of its relative newness.

Innovation in a crisis

The COVID-19 pandemic and the associated crisis has demanded a significant amount of change, reprioritisation and adjustments to the way of working. The long-term effects of this will need to be observed, and may influence the public sector innovation system in a range of ways.

Emerging promise but much more to be done

There are a number of promising steps underway, however the current state suggests that much more will need to be done if the Latvian public service is to achieve a reliable, consistent and deliberate approach to innovation that is sufficient to meet its aims and needs, or to respond to unexpected shocks or emerging crises.

5.4 Deeper exploration of selected observations

The next sections explores further some of the select key observations in relation to understanding the nature and performance of the public sector innovation system.

A fragmented system

The most common interview theme was about to the "fragmented" nature of the innovation system, a term that came up often.

By "fragmented," interviewees meant that even where successful innovations had occurred, they were largely driven by individual interest and willpower. There was little connection to systemic patterns or support structures. This dependency upon individual efforts, as opposed to more structural drivers or forces, means that the innovation processes are more likely to be vulnerable to changes in personnel, events in the external environment, or shifting priorities.

Likewise, these successes – which can be a powerful cultural and communications tool about the value and mindsets of innovation - and the tools and practices that enabled them were not spreading reliably through the system (though several interviewees saw the burgeoning innovation network as a much-needed support to the community in this respect).

> *"We need to make a system."*

> *"Very much, it depends on individuals."*

This fragmentation was also illustrated by the divergent understandings or assessments of whether the public service could be considered innovative (see Box 5.2) or indeed just how innovative the public service needs to be.

Box 5.2. Definitions of innovation in the Latvian context and assessments of whether the public service of Latvia could be considered innovative

The interviews revealed a wide-range of definitions about what innovation means. While there was a general commonality to these definitions, the diversity of ways it is spoken about demonstrate that the concept is understood in different ways. Some of the differing definitions offered included:

- Kind of a mystery but everyone is trying to do it
- To find new ways to approach existing problems – sometimes doing totally new things, other times not
- A process of developing an idea and implementing it and measuring results
- Doing things differently, applying new knowledge, experimenting with new knowledge and new approaches
- Innovation is opening people's minds and trying something new
- Trying to do new things and trying to things in new ways
- Looking for new concepts and paradigms
- The perception of the world is changing over time and have to adjust and find out new ways how things are happening in society, need to understand how values have/are changed/changing
- Doing something in a new and more efficient way
- Openness to improvements, continued improvement in performance
- Having the process that allows you be fast and efficient when validating new ideas
- A tool to make life easier
- Anything that we can make better with new tools
- Creating something useful that has not been done before
- Better public service for better governance.

Equally, there were diverse responses about whether the public service of Latvia could be considered as innovative:

- Not very coherent across the public service, some pockets, some lagging behind
- No – it has become a stable, rigid system with no logical or comprehensive evaluation of policy in Latvia
- No – but I want it to be and it needs to be
- No, but it's on the way
- 2 or 3 on a scale of 10
- A good learner from the experience of others but not an innovator itself
- Depends – some elements are innovative
- There are definite pockets of innovation but also lots of areas where it is underdeveloped, and also a lot of value that could be obtained just by implementing existing practices and solutions
- Yes and no
- Not easy to answer yes or no, some parts are quite innovative but you have to look very precisely
- It is non-homogenous – there are different styles in different parts, but the zeitgeist is much more pro-innovation than 10 years ago
- It tries to be
- A lot of people with great ideas and potential who are struggling to get permission or mandate

- Quite adaptive in many ways, reflective of Latvian society which has seen a lot of changes in 100 years. Extremely good innovation in response to exogenous shocks - "when we're pushed, the sky's the limit"
- Yes
- Yes in respect to digitalisation
- Yes but we don't talk about it
- Latvia is quite shy in promoting our achievements.

This diversity suggests that experiences, perceptions and understandings of the system are themselves diverse, indicating that the system is indeed fragmented, with quite different experiences of it in different places.

Source: Interviews.

Innovation often employs a set of skills designed to help organisations navigate unfamiliar problems (e.g., design, user research, prototyping, stakeholder engagement), which all have the characteristic of being useful to many teams, but at particular points in programme lifecycles. Few teams need these skills full time, especially in a resource-constrained environment, nor are they common enough in the labour market. The private sector practitioners interviewed preferred advising and consulting arrangements, expressing concern that the public sector environment would be too limiting.

One of the benefits of Innovation Laboratory is to hire and make these skillsets available across the public sector on a demand and impact basis. Communities of practice, conferences, meetups, and other more lightweight community-building activities also have the benefit of helping practitioners learn from each other what has worked in practice, and how. Both approaches – the structural lab approach and the community-oriented approach – also help successes spread and can fuel the cultural shifts towards innovation.

An interconnected system of influences on innovation prospects but without defined roles

Interviews and mapping of the system indicate that few organisations saw themselves as "responsible" for innovation, even though their mandates and decisions strongly influenced the prospects for innovation (as per the reflections of other organisations trying to innovate). They did not see themselves as actors within the public sector innovation system, nor that they have a role in shaping and influencing that system.

In regards to what does exist, Figure 5.1 highlights the key organisations, actors, and forces identified from interviews that influence innovation activities. However, only a subset of these elements represent structural supports to innovation, captured in Figure 5.2: the State Chancellery (and primarily, the Innovation Laboratory) and the School of Public Administration.

However, many of the other elements in these diagrams do influence – and sometimes support - innovation. However, they do so in a way that is ancillary to their primary functions, and the many design and leadership decisions that have led to those organisations' role in the system were driven by goals other than innovation. Many are accordingly simultaneously *supports* and

dampeners: that is, they exert forces on individual or organisational innovation that both help and hinder. For example, interviewees were in consensus that the State Audit organisation both provided useful guidance that would keep innovators out of trouble, but also deterred useful innovation; interviewees feared either backlash or having ideas rejected. (There is an opportunity for organisations such as this, and the Cross-sectoral Coordination Centre, to move into the "primary supports for innovation" space.)

In practice, this means that organisations like the Innovation Laboratory and the School may make recommendations and take actions designed to support innovation across the government of Latvia, many other organisations in parallel may be making resourcing and strategic decisions that do not incorporate that goal, and may be at odds with it.

There are also some inclusions and omissions of note. While the Investment and Development Agency of Latvia (LIAA) is important to the private sector and academic innovation systems, interviews did not suggest a strong influence on public sector innovation. However, this was paired with a distinct sense that the intersection between the public and private sectors *should* be a source of innovation.

This may represent an opportunity for the Latvian public sector. Investment and R&D ecosystems often create innovation communities and labour markets, or inspiration and creative assets that transfer back into public sectors. Some public sectors try to create these links more directly; for instance, programs that aim to use public innovation as testbeds for private sector R&D programs, opening innovation funding to public bodies, developing sounding or advisory boards, or establishing intersectoral mobility programs. Colombia, for instance, funded research centres for big data and the Internet of Things, but included project credits for public sector projects as part of the terms and mandates.

However, trust, culture, and procurement regimes also strongly influence the extent to which senior government executives can develop relationships with private sector firms and build towards experimental ideas. Where rules and public scrutiny permit, those relationships can be a strong source of early stage innovations. We return to this theme later in the section on procurement, as there was agreement among private sector interviewees that, as it stands, it is difficult for the government to purchase innovation services or innovative projects, limiting the ability of the private sector to support public sector innovation.

The private sector's role in public innovation can also be used, counterproductively, as a way to try to outsource some degree of risk and accountability, or to avoid hiring or capacity-building within the public sector and staying reliant on contracting. Both for the design of partnership and contracting arrangements, and the ability to repatriate projects and programmes in the long run (to avoid lock-in and dependence), it is essential for the public service to have innovation and specialist skills and knowledge.

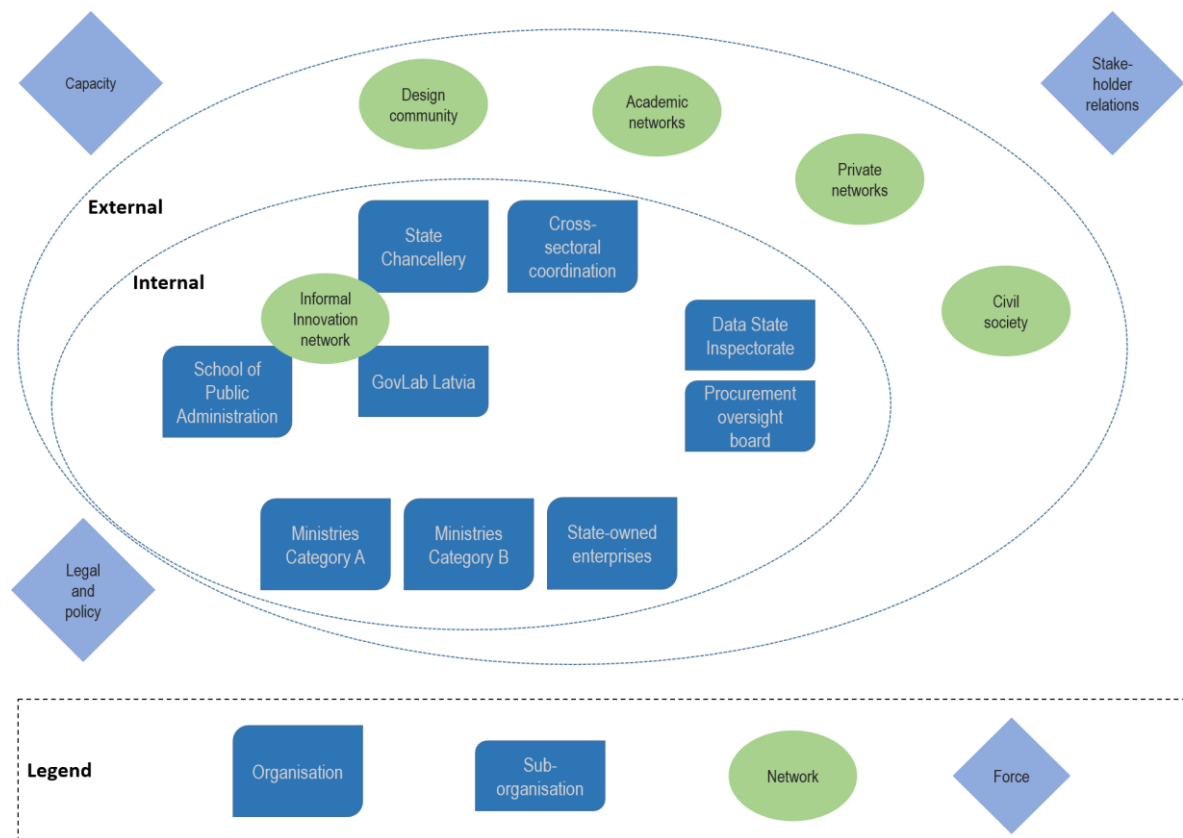*Figure 5.1: system map of innovation in Latvian public sector*
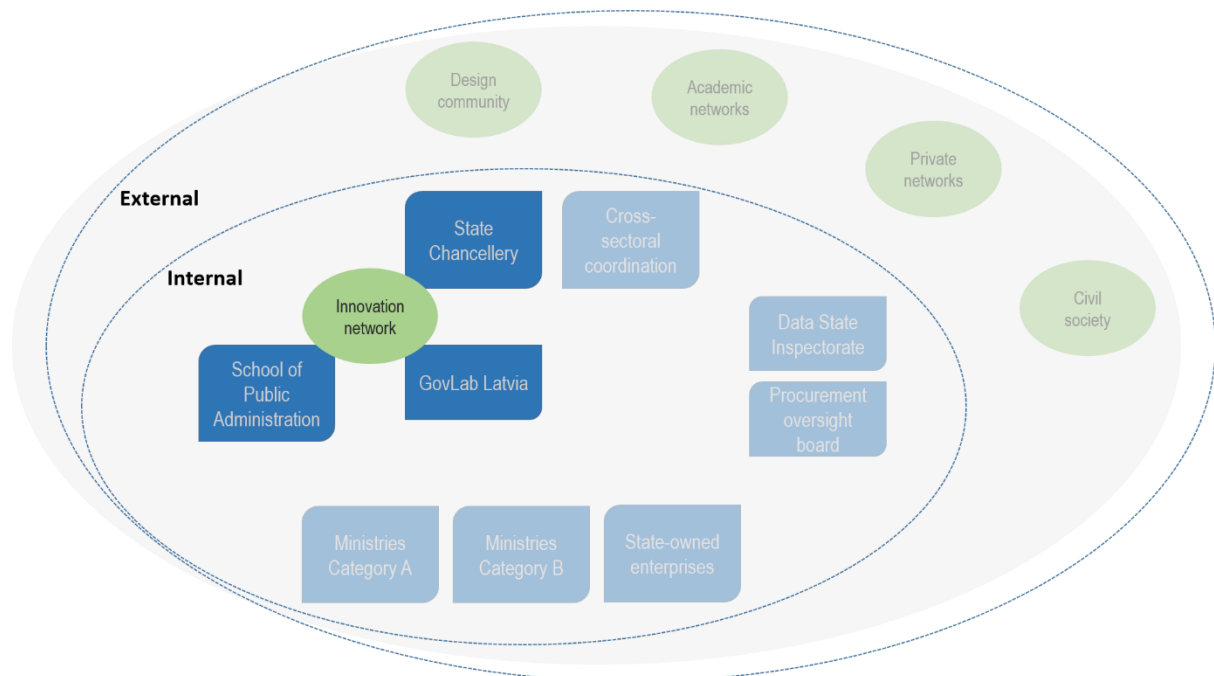

Figure 5.2: primary structural supports for innovation

The Ministry of Environmental Protection and Regional Development was frequently cited as a leader organisation, and the e-Government Directorate was seen as both an example and a foundation of innovation for the Latvia Public Sector. While this may be true, interviewees did

not articulate a strong sense of how Latvia's e-government foundation would give other individual, organisational, or system-level innovation either direction or support. As such, this foundation is part of Latvia's ecosystem context, and the Ministry would be considered a pathfinder organisation that can demonstrate the value of an innovative culture and capacity.

Lastly, the diagrams divide Ministries into categories A and B. This nuance recognises that several Ministries were seen as "innovative," which was defined in interviews as "continuously, reliably generating and implementing innovative ideas." While some of these Ministries may be succeeding at embedding a lasting innovation culture, the primary driver was often seen as the sitting Director or State Secretary, so this organisational leadership is still at risk through future turnover in management teams.

Table 5.2 attempts an initial outline of some of the roles that public sector agencies are playing as parts of the public sector innovation system, though as noted these often seem to be implicit or a by-product rather than a matter of strategic or deliberate intent as yet.

Table 5.2. Key players within the Latvian public sector innovation system

Organisation/System actor	Overview of role in relation to public sector innovation
State Chancellery	Defines management policies and processes for government of Latvia, identifying/introducing new/best practices, and hosts Innovation Laboratory. It has led the running of training for senior management, introducing them to innovative methods and thinking, and promotes public sector innovation. Also is responsible for approving organisational management changes in other ministries.
Innovation Laboratory	An Innovation Laboratory and small team within the State Chancellery leading many of the public sector innovation efforts including helping with specific innovation projects.
Informal public sector innovation enthusiasts network	Informal learning and collaborative network spearheaded from within the State Chancellery.
All ministries	Potential project proponents and sources of best practice examples.
School of Public Administration	Runs Design Thinking courses and is building a stream for policy-focused roles. Operates on a cost-recovery basis.
Ministry of Economics	Has a primary role supporting the private sector but has been an important player in public sector innovation system as well, including being a lead-user of lean and Kaizen methods. It is also responsible for innovative procurement and has developed guidelines and established a working group regarding innovative procurement.

Ministry of Finance	Management of financial allocations and spending by ministries.
Procurement Monitoring Bureau	Can provide advice on navigating procurement for innovation, but will also respond to and address complaints from the private sector.
State-owned enterprises	Several state-owned enterprises are leveraging policy and legal flexibility, and a different incentives context, to pathfind innovative approaches.
State Audit	Supreme Audit Institution that assesses whether public property and resources have been handled in a lawful, compliant, efficient and effective way as well as to provide recommendations to address any deficiencies found. Can also provide advice on how to ensure alignment with policy direction, communicate publicly before experiments, and ensure that approaches are defensible.
Data State Inspectorate	Supervision of the processing and protection of personal data. Ensures compliance with GDPR regulations and can provide advice to organisations leading projects that involve citizens' data.
Ministry of Environmental Protection and Regional Development	Responsible for the digital transformation in Latvia, providing strategy for the development of public services, and writing digital transformation guidelines.
Latvia Investment Agency	Liaison and investment organisation for private sector innovation in line with public sector goals.
Cross-sectoral Coordination Centre	Responsible for developing and monitoring the highest national development planning documents, such as the National Development Plan and strategy for meeting the Sustainable Development Goals. The Centre also coordinates an innovation network of state-owned enterprises.

The important concept to consider from the above table is that there are a number of organisations who do not have a direct, vested interest in supporting innovation, yet have impact of every other organisation's innovation prospects. Similarly, the Innovation Laboratory, as the primary organisation mandated to spearhead innovation, can support the innovation goals of only a few select programs at a time and has limited mechanisms for influencing the wider system. These gaps can be filled through additional work towards alignment, collaboration, and building increased understanding among parts of the system.

A variety of partial and incomplete drivers of innovation

Interviews suggested a mixed picture as to what forces prompt individuals, organisations, or the government writ large to launch a change or innovation process, including:

- The influence of the EU, its agenda, and what categories and projects it funds

- The digital transformation agenda in requiring change to government services and service delivery
- Budgetary restrictions and efficiency goals which provide pressure to make savings
- Changeable and sometimes complex political agendas
- Heightened expectations – and occasionally complaints and direct pressure - from citizens, stakeholders and the private sector, especially about service delivery
- Media attention and scrutiny, particularly around public spending, outcomes, and accountability
- Public servants wanting to achieve better outcomes.

In short, while there are a range of pressures that can, but not always, act to push the public service to reflect upon what it is doing and to ask whether it could be doing things differently or doing different things. These various pressures, by nature of being fragmented and diffuse, are not well-positioned to provide a coherent, consistent or self-sustaining driver for public sector innovation efforts.

An administrative context not aligned with innovation

The last decade of efforts to create rigour, professionalisation, and accountability is, in some ways, at odds or in tension with the innovation agenda. Interviewees described concern that innovation projects, even if designed to explore uncertain spaces to avoid risk, would conflict with the dominant structures of government. While there was a sense that while the *system overall* needs more innovation, there was a mismatch between that need and the incentives for individual public servants, whether working level or executives.

> *"People need a lot of courage."*

It is not that there is a single organisation, policy, or process hampering innovation, but rather an aggregate effect that makes innovation more challenging, presents obstacles, or discourages individuals. This is a common theme across OECD countries among public servants working in the innovation and digital spaces. Often, policy and legal frameworks do include the flexibility required, and it is interpretation by officials, advice from corporate enablers (human resources, finance, procurement), or perception concerns from executives that artificially restrict options. However, from a systems and outcomes perspective, this is functionally the same as restrictions and needs to be addressed through communication or high-profile reforms that highlight desired behaviours.

Otherwise, this can incentivise organisations and employees to choose "safe" approaches that maintain the status quo, perhaps foregoing learning and overall benefits to the government. In the Latvia context, this aggregate effect does have some discernible sources.

Public procurement

Multiple interviewees described public procurement as a particular barrier to innovation. This is unsurprising as procurement is a noted tension for innovation in many public sector jurisdictions, due to public procurement often favouring incumbents with proven track records

of delivery over newer entrants that might offer more innovative offerings (OECD, 2017a: 187). The procurement system in Latvia, as described by officials, was characterised as heavily reliant on straightforward, objective requirements for the provision of goods and services. However, innovation tends to respond to complex problems or is designed to explore new policy and programme possibilities, and procurement is likely to generate outcomes such as:

- Organisational learning
- Experimental results (e.g., tests between two different approaches)
- Understandings of citizens' contexts and needs
- Prototypes to test
- Software that is not ready to deploy, but that reveals design patterns.

All of which is very difficult to write as requirements with objective, factual markers of whether or not an external organisation delivered or not. Interviewees also reported a high level of scrutiny from the media, parliament, and the private sector on procurement processes, including a high rate of complaints and recourse. This seems to have had the effect of discouraging experimentation and innovation when it requires external expertise, skills, or resources; officials reported a cultural preference for choosing more direct calls for proposals, even when they thought a more innovative approach would have yielded better results. This was mirrored by comments from private sector interviewees, who found it difficult to work with the government on forward-looking projects for the same reason: government could not actually procure what it needed. This is a tension that many governments are addressing through long-term cultural and capacity development, while experimenting with more immediate promising practices. For example, challenge-based procurement (many countries), micro-procurement (e.g., Canada and the United States), or deliberately framing procurement exercises as experiments or pilots to foster private sector acceptance of new, more innovation-friendly approaches (e.g. the United Kingdom's Digital Marketplace).

At least one state-owned enterprise seems to have discovered and navigated the more flexible procurement options allowable and available within the policy and legal framework, establishing creative partnerships, procuring early-stage research about problems, and developing prototypes. However, this exception may prove the rule; this success required significant time and attention from senior-most leadership, and sustained attention from the organisation's legal experts. The official who related this story to us was not aware of any other organisation who had used the same procurement approach.

> On the value of experimental change
>
> *"What seems to be the missing ingredient is that there's really this [sense of innovation happening when] there's no option of continuing, this is the end. So this finality is something that certainly enables dramatic change. I personally dislike that... We've done that several times, and it is something that makes people wary of change. I'd be much more comfortable with us being able to grow this understanding and culture of small, maybe revolutionary, but small things. Like putting user-friendliness first in how we design public services, which would be small - but revolutionary."*

Audit and accountability frameworks

A second dominant subtheme within the policy and legal environment was a general trepidation in regards to recourse, audit, or accountability measures against officials who "tried something new" and could not immediately demonstrate tangible results.

> *"If you want a long and lucky life in public service, don't be very innovative."*

While this perception appeared multiple times in interviews, there were a range of offered causes, from internal audit procedures, to the relationship between the public service and elected officials, to media scrutiny.

In many cases, innovation and experimentation are fiscally responsible, risk-mitigating approaches to developing programmes and services. Spending up front to better understand the nature of a problem or the needs of citizens can save money, legal challenges, or ineffective approaches in the long run. However, this can require officials and stakeholders to understand and communicate the nature and value of innovation approaches, which are more iterative than conventional processes.

It is a hallmark of public sector accountability to be able to explain exactly what will be achieved with public spending; however, in many cases, this requires false certainty. The optimal answer in these situations is that additional research and testing potential solutions is required, though this can be perceived as a weaker answer that does not demonstrate due diligence.

The cultural effects can be as great as the procedural ones. During the country study of Canada (OECD, 2018a), it was found that public servants severely overestimated the rates at which human resources and procurement processes were audited. This certainly appears to be true for Latvia; while organisations with accountability mandates could explain how innovation was possible, the perception within policy, program, and service organisations was the opposite. Which, in the end, leads to the same outcome as if the rules forbade such actions. Communications, culture, training, and additional reforms may be required to enable the government to take steps that it is, from a legal and policy perspective, already capable of taking.

This is not to suggest that audit and accountability frameworks should be relaxed or dismantled. However, organisations should be aware of the impacts on creativity and innovation, whether intended or not.

Likewise, audit and accountability organisations and frameworks can equally be used to support and encourage innovation:

- Asking questions such as whether organisations are looking at peer countries, best practices, or alternative approaches to maximise outcomes
- Understanding the public value and risk-mitigation benefits of iterative, design-led, innovation approaches
- Providing advice on how to navigate processes respecting due diligence and guidance while allowing for creative pursuit of positive outcomes, through early collaboration between corporate enablers and programme officials

- Providing positive feedback loops for organisations who are succeeding at innovation while working within existing guidance
- Using patterns revealed through internal audits and challenge functions to prompt policy and process reviews

It is also important to note that audit and accountability frameworks, insofar as they may create a counterweight to innovation, may be only a surface level symptom rather than an underlying cause. There are also a few closely related system elements (that likewise were mentioned in the section on procurement), including media scrutiny and the relationship between parliament and the public service. Officials suggested that there is not a strong system of two-way dialogue between elected officials and public servants, and that accordingly there is not always sufficient flexibility in programme design and timelines to enable innovation and experimentation approaches. That is, the public service's role is limited to implementation, not advice on design and development, and negates the value of innovation.

And the causal chain could go much further. When asked about this topic, interviewees responded that the public service had additional work to do on professionalisation, building policy capacity, and developing an advice function. In this light, it may be seen as a reasonable, or at least necessary, stance to provide very concrete direction. As well, policy capacity and the relationship between the executive and administrative branch will of course be asymmetrical across ministries, with areas that both show leadership and need improvement – all of which could also be seen as a reason for a strong set of checks and balances for accountability purposes.

Other interviewees went a layer deeper, highlighting concerns such as the salary structures of the public service and the ability to recruit high-potential employees against the more competitive private sector, and even the maths and physics programmes in secondary education.

Innovation efforts tend towards improving existing programs, services, and processes rather than exploring the new

90 innovation projects were submitted for analysis, which are plotted below. Of note: when a similar survey was distributed to 71 institutions in 2019, only 12 innovative projects were submitted. The substantially expanded response for 2020 suggests some combination of: increased innovative activity, a greater appreciation for the State Chancellery's work on innovation, or Ministries increasingly seeing their projects as innovations.
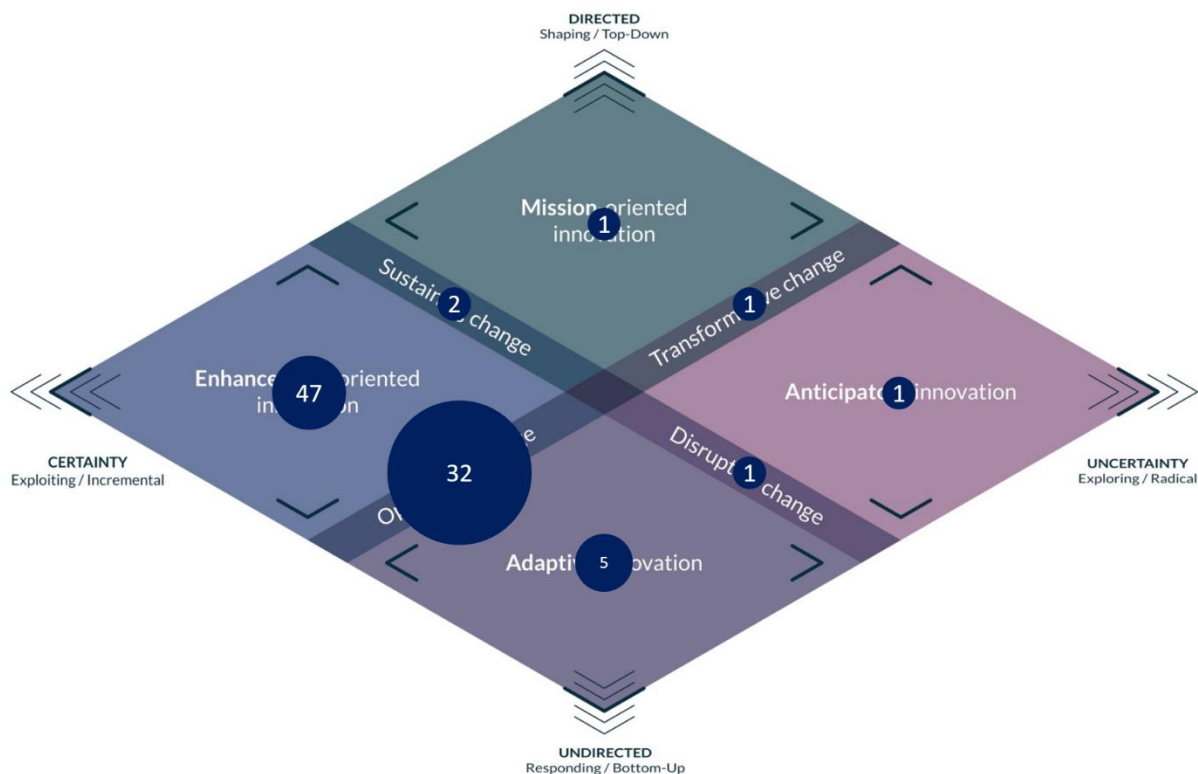
Figure 5.4: projects mapped to the innovation facets model

The blue bubbles in the image above represent how many of 90 submitted projects fit into each facet, or category, of innovation. The vast majority were 'Enhancement-oriented' (47 projects) or a hybrid of 'Enhancement-oriented' and 'Adaptive' (32). Most were characterised by the use of digital technology to improve an existing program or service.

While 'Enhancement-oriented' and 'Adaptive' innovations are the most common in most contexts (organisations can execute many such innovations simultaneously in a distributed, uncoordinated fashion), the absence of strong 'Mission-oriented' and 'Anticipatory' innovation projects carries some implications, as does the details of the projects submitted. In short, most submitted projects are:

- safer, more incremental innovations for existing activities
- largely digital in nature (most were digitisation projects, or, adopting now-available technologies)
- poorly suited to be pathfinder projects that influence the public service culture, as few directly drive significant government-wide strategic priorities.

The last point is crucial: if innovation is not supporting strategic priorities, it is at risk of losing commitment and support. As well, it is difficult for incremental innovations to have significant influence on culture, lessons learned, and a widespread sense of "the art of the possible."

There also appears to be an opportunity to engage in more forward-looking, anticipatory innovation that creates institutional learning at a high rate and can help governments become proactive about potential future changes and states.

A lack of a clear sense of mission in relation to innovation

A theme that came through clearly and consistently in interviews was the need for a clear sense of mission and direction.

> "We are missing this long-term planning [and] thinking."

Interviewees described a need to become more proactive in exploring desired futures. While Latvia has articulated a set of National Development Plans through 2027 with goals and direction, officials did not feel as though these documents were specific enough to translate into strategic planning, let alone day-to-day decision-making. This may be due to uncertainty about whether high-level priorities will remain the same, or because the role of innovation in exploring possible futures has not been established and/or communicated. OPSI has found that a defined mission must be paired with the strong and continuous enablement of supporting organisations to focus time, money, and effort towards that mission.

Other interviewees felt that the 2027 development plans were too broad for these purposes, lacking universal ambitions and principles that could inform contextual innovation activities (the National Development Plan contains 169 different sub-goals across six priority areas). More concretely, officials and external stakeholders alike felt that Latvia had to set a small number of target areas for competitive advantage; for instance, building on the already strong foundation of digital identity and digital service delivery. Estonia's progress towards global recognition as an e-government leader was offered as an example, and interestingly, several interviewees suggested that "friendly competition" with other countries was providing an implicit sense of mission in the absence of a more explicit one. Canada provides a second example with their "Agile, Equipped, Inclusive" guiding principles for public sector reform (see *Box 7.4: System-wide innovation efforts*). This relates to the *fragmentation* issue: in the absence of system-wide forces and directionality, innovation will be led on an ad hoc basis by only those interested and willing practitioners and managers, who may have different interpretations of desired behaviours at the individual, organisational, and system levels without consistent *clarity* about the role of innovation.

While interviewees had a solid sense of the nature and need for innovation, the absence of clarity about how, when, and why to innovate was a consistent theme. I It appears as though innovation has not yet been contextualized within the Latvian government's priorities or established as a strategic capacity, and therefore is not connected to the day-to-day work of officials. There remains an opportunity to showcase pathfinder projects that model good practices and the value of experimentation, and to communicate a culture of innovation, including through the learning phases of projects. As well, while Latvia has adhered to the OECD Declaration on Public Sector Innovation and worked to contextualise its principles to the Latvian context, more may need to be done to communicate and make them tangible/resonant for a broader section of the public service, even beyond the Manifesto that was created in 2019. A guiding consideration might be the extent to which public servants can easily answer the question of why innovation matters not only to the public sector of Latvia, but how it meaningfully relates as a concept, practice and process to their own day-to-day work.

In short, a clear sense of mission supports innovation by giving officials throughout the system a goal and target. It means that many innovations can collectively add to a common benefit without direct coordination between them. It allows organisations to apply bolder approaches and investments in service to a government-wide priority, justifying occasional uncertainty through the collective and cumulative payoff of progress towards this competitive advantage. And it means that, where the system is fragmented, areas of critical mass and connection start to build where approaches and successes transfer most easily, connected by a common context.

A nascent understanding and appreciation of the Innovation Laboratory

Interviews suggest a mixed knowledge and appreciation of the Innovation Laboratory, which is not altogether surprising given its relatively recent establishment and its focus on specific projects. For those that were familiar with it, there was approval of its work to provide a platform for discussion regarding solving problems in a holistic/cross-agency way, and that it had provided a forum for developing guidelines around innovative approaches and supporting people in how to use them. There was also appreciation for its design thinking workshops and introduction of innovation approaches to senior management. Others noted concern that the Lab might not have the resources to effectively shape and change the broader system or to engage with and support the agendas of other ministries. Regardless, the Lab can only take on a limited number of projects, and the proponent organisations need to be aligned to deliver on innovation projects as well.

The below diagram describes the relationships between the Lab and the rest of the government of Latvia: while the Lab fulfils its primary mission of supporting specific, high-impact projects, it also provides a system-wide benefit to the government, by building capacity and culture through its network and through those people who participate in Lab-supported projects. It likewise can share successful processes and projects for others to learn from. In return, as the rest of the Latvian government builds innovation capacity, Lab clients will have greater awareness and readiness to select and execute on Lab-supported projects. The government will bring more right-fit projects and more supporting skills to the Lab, further increasing the impacts of the Lab and its pathfinder projects.
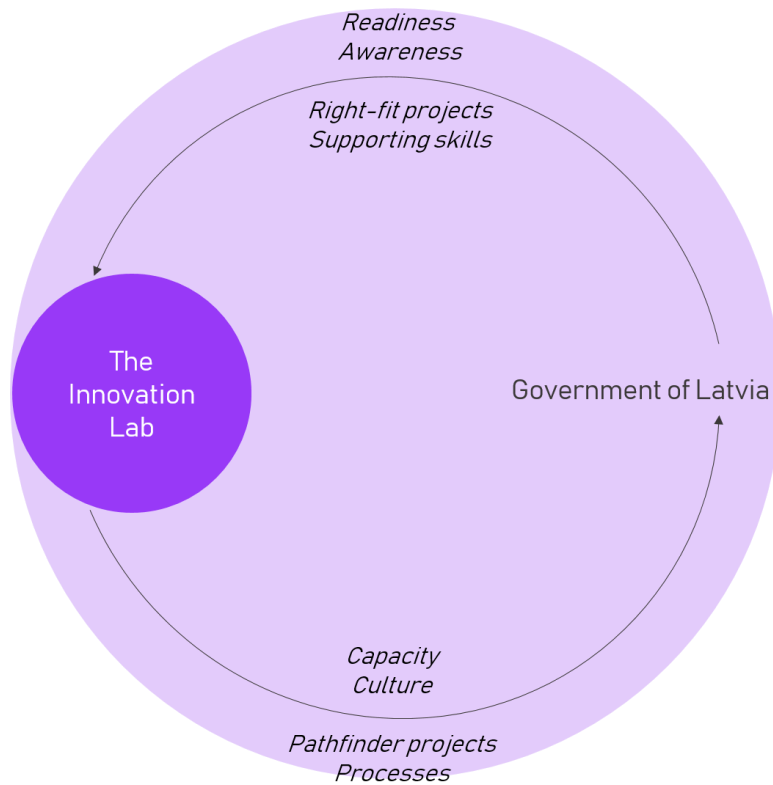
Readiness
Awareness

Right-fit projects
Supporting skills

The
Innovation
Lab

Government of Latvia

Capacity
Culture

Pathfinder projects
Processes

Figure 5.5: the reciprocal relationship between the Lab and the wider public sector innovation system.

Second order themes

Interviews provided an opportunity to engage with what appeared to be an enthusiastic core of the design community in Latvia, both inside and outside of government, many expressed the notion that design culture is only beginning to emerge in Latvia, particularly within the public sector. (This community saw design as the starting point and heart of innovation, though also recognized its limits; for innovation to flourish, the community would need to expand beyond purely design approaches.) The general assessment was that the innovation capacity within the program and policy communities in the Latvian public sector is limited and asymmetric. The School of Public Administration launched service design training – including a train-the-trainer program – which has been well-received. However, while there were senior executives who participated and saw the value in the mindset and approaches, they also noted that perhaps an equal number of colleagues remained sceptical during and after the training. While on balance the courses appear to be useful, interviewees were quick to note that training alone will not enable success, an observation with merit: while this success is expanding into policy design, even supporters of this approach noted that design thinking is a part, but not all, of the toolkit required for systematically effective innovation approaches. Practitioner capacity must be supported by organisational design, executives who can build the right teams and enable different approaches, policy and process alignment, and corporate partners who can help programs navigate complex problems fairly and legally.

Unsurprisingly, a number of interviewees pointed to limited financial and human resources as a stifling factor for innovation, which may be exacerbated by the economic contraction caused by

the Covid-19 pandemic. While resource constraints are a near-universal limitation for innovation (though, in some cases, can inspire it), this factor will be amplified in the Latvian context due to the strength of the accountability and scrutiny concerns. Even in a constrained situation, countries need to maintain some forward-looking and experimental capacity to avoid missing opportunities for program and service enhancements and/or cost savings. While not unique to Latvia, resource constraints are inevitably part of the system for innovation and must be held in consideration.

The OECD has written previously about the in- or dis-incentives that rules around budgeting and resource allocation can have on innovation: "that there are rarely dedicated funding streams to public sector innovation within OECD countries, and when these do exist, they tend to be small reserves managed at the department/ministry level" (Daglio, Gerson and Kitchen, 2014). By 2017, this had increased – that year's Government at a Glance report noted that "14 of 25 surveyed OECD countries have at least one dedicated public sector innovation fund at the central/federal government level and 9 OECD countries have more than one' (OECD, 2017c: 200).

The resource constraints also may amplify another secondary theme, which was the important role played by the EU structural funds. The EU's funding, including a welcome emphasis on innovation, is a key enabler of governments' interest, capability, and execution. Consequently, the directions set by the EU have a substantial influence on the directions and priorities for investment and reform. This is also related to the *clarity* theme, as it could be possible that the "when and why" question is answered by "when there are funds available to do something differently." As such, it will continue to be important to create and nurture feedback loops between Latvia's needs and EU programming to maximise the alignment between EU-wide goals, the Latvian context, and what will be embraced with legitimacy by the Latvian media and citizenry.

Innovation in a crisis

Given its momentous nature, it would be remiss to not consider the COVID-19 pandemic as a factor in the evolution of the public sector innovation system. Similar to most nations, Latvia saw a large number of innovative activities occur in the shadow of the crisis, whether it be the digital convening of parliament, digital transformation of services for citizens, the use of innovative procurement arrangements to secure necessary personal protective equipment, or simply government agencies moving wholly to remote working. The crisis illustrated that not only was innovation occurring, but that it could, under the right circumstances, happen at great speed and involve new working methods and approaches introduced at scale. The longer term effects however will need to be tracked, as will how these innovative endeavours are viewed in retrospect once they are better understood and scrutinised outside of the imperatives of a crisis.

6. Implications and provocations

What do each of these observations imply? What is their significance, and what do they say about the nature of the system more broadly?

An innovation system is complex, involving beliefs, relationships, structures and processes, resources and capabilities, and a continually evolving context. Identifying which factors matter and in what way can be difficult, for as seen, there will be a wide range of issues and potential problems that suggest themselves. In order to take a systemic approach, it is important to try to appraise what is more symptomatic (i.e., a manifestation of underlying issues and thus addressing it is unlikely to substantively change the overall nature of the system in the way hoped or intended) and what is more fundamental.

This scan cannot provide a full accounting of the system dynamics and the associated interdependencies, but using the OECD's OPSI frameworks (innovation determinants, innovation facets and innovation stewardship), it is possible to make some informed conjecture about key or linchpin issues within the system.

From the observations and the frameworks, the following can be noted:

- There is a fragmented system, with the application, experience and results of innovation can vary dramatically across the public sector.
- The drivers for innovation that might exist (innovation training, network, innovation lab, etc.) seem to be as yet insufficient to match the inertia within the system (traditional methods, practices, processes, etc.) for the status quo.
- There is an administrative context that is not yet often aligned with innovation, meaning that innovative efforts are therefore likely to be often more difficult than not innovating.
- These factors contribute to a system resulting in innovation activity that is safer, more incremental and less uncertain, as opposed to highly uncertain, highly experimental or radical, more resource intensive or potentially difficult innovation.
- Innovation is thus often more a secondary consideration in practice, meaning that organisations and individuals will not often see themselves in relation to innovation, leading to undefined roles and responsibilities for innovation.

What do these imply for the system? What questions do these suggest need to be asked and explored by those within the system in order to match ambitions with appropriate actions? The following provides some core implications, paired with a provocation to prompt reflection about the implication and to help clarify the need for action.

6.1 In the absence of a consistent force *for* innovation, an innovation agenda will have to constantly rely on ongoing explicit political and leadership support and attention to overcome the inertia *against* innovation

Using the perspective of the three levels contained within the 'innovation determinants' model, without a systemic approach to innovation, innovative efforts will primarily be driven by individual organisations or individual people or done in reaction/response to crises that force

new approaches. While there are organisations and individuals that are currently encouraging or 'pushing' innovative efforts within the system, the sustainability of such approaches is in question. For innovation to be sustained in such a context, senior leaders will need to continually invest political capital and scarce attention to innovation – whether providing the authorising environment, removing or mitigating barriers and hindering factors, or promoting reforms. Other agendas or pressing priorities are likely to compete with this attention to innovation and, over time, innovation will return to being a background issue rather than a primary consideration.

This is in part because innovation is not a 'set and forget' matter. Innovation is a dynamic process, because the act of innovating can change the process itself. Removing an issue in one area (e.g. making the procurement process friendlier for innovative proposals or ensuring that audit is an enabler for innovation rather than a restraint) will, in time, reveal an issue in another area (e.g. more innovative procurement may reveal budgetary constraints that hamper the ability to spend in an agile approach where funding can be more easily withdrawn or scaled up depending on the success of the project). Therefore, there is a need for ongoing attention, which can exhaust any individual or organisational drivers of innovation.

A mix of reform efforts are needed, but there must also be attention to what will help leaders keep innovation on the agenda without having to continually direct all of their personal energy and attention to it or rely on crises to drive the necessary changes. Of the existing Latvian initiatives and interventions to support public sector innovation, a number of important steps have been taken already, including the efforts to normalise innovation for senior leaders through training. Nonetheless, more is likely needed in order to ensure that the innovation agenda becomes somewhat self-sustaining.

- Provocation 1: If a more consistent, deliberate and reliable approach to innovation is desired within the public service of Latvia, what, if any, of the current interventions will make that happen? What is the willingness to change things in order to build this approach and how is it that being demonstrated?

6.2 In the absence of a guiding vision, innovation will be reactive, opportunistic, and lack complementarity

Change is a constant for the public sector, whether it be changing citizen expectations and needs, the need to adapt or engage with changing social, economic, technological and environmental conditions, or simply to deliver upon government priorities. However, while change is guaranteed, this change will not necessarily align with strategic aims, objectives or core values. The question then becomes a matter of how this change will play out.

In the absence of a clear mission or vision for the public sector, individual and organisational decision-making, including on innovation, will tend to be reactive focusing on what has to be done rather than what might need to be done.

However, it is possible to set direction towards long-term, agreed-upon principles that reflect the cultures and needs of the citizens being served, and that create competitive strengths and

themes for a country. For instance, examples include *best digital services to citizens in the world; a future-oriented, proactive government; sound stewardship of public funds and trust;* or *the world leader in innovative public service.* This is important for innovation because it provides directionality and purpose, allowing individual and organisational actors to make local, contextual decisions that all add up to a greater mission.

While Latvia has signed on to the OECD Declaration on Public Sector Innovation and done some work to contextualise it to the local setting through its innovation network, there is not sufficient to provide an embedded understanding of what the public service is working to as an institution, and thus what it is looking for in terms of innovation. Nor does it appear that the National Development Plans provide the overarching vision of what the public service is working towards as an institution, instead focusing more on themes and specific objectives of what needs to be done. What is the ambition that the public service as an institution is working towards, and what does that tell those in the public sector about what innovation to pursue?

- Provocation 2: How does the current vision for the public service of Latvia guide and support public servants in determining how innovation is integral to the work of the public sector?

6.3 A fragmented innovation practice and system will lead to missed opportunities, fragmented learning, and reduced return on investment

While it is clear that innovation is occurring within the public service of Latvia, it appears to be in pockets of innovative activity. The goal would be to have a layer of innovation awareness and capacity across the system, such that when innovation was the best approach for a problem – or a policy, program, or service – it could be brought to bear, drawing on what had already been learned elsewhere. In the absence of that systemic, reliable capacity, innovation instead happens *where someone is willing and able to innovate,* which means that there are missed opportunities for impact or efficiencies everywhere else.

Initiatives such as the informal innovation enthusiasts network in the Latvian public service can assist in sharing lessons, but from a more strategic investment point of view, there is a high risk of significant learning occurring in a disconnected way across different parts of the system, resulting in the potential for duplication, unnecessary 'reinventing of the wheel' and lost opportunities. Given the high intensity learning that often accompanies innovative projects, this may result in wasted investment.

- Provocation 3: How will the public service of Latvia ensure that innovation is a *government-wide* capacity that can be used when needed, not an optional approach for those who want it? How are the valuable lessons from individual innovative projects collected and aggregated when innovation occurs on a project-by-project basis?

6.4 A fragmented innovation practice and system risks a lack of coherence as contextually appropriate innovations push in different directions

In times of rapid change, such as in connection with the COVID-19 pandemic, governments can respond at a fast pace with a range of innovative initiatives to address the very clear and immediate needs for alternative approaches. These initiatives are usually aligned with a common sense of what needs to be done, and the in an extreme crisis governments tend to keep a close eye on what is happening, how differing parts of the system are interacting or working together (or not), and where issues in one area may create side-effects in another.

In 'normal' times, innovative activities may be occurring yet without the same regard to how they might impact other parts of the system. Innovation is inherently about responding to the context, and thus innovative efforts may fragment the broader operation of the system by pulling in different directions (e.g. if different agencies all pursue their own IT projects to meet their own operational and service delivery needs, over time the projects will tend to veer in very different directions without regard to inter-operability or shared infrastructure).

Governments can have measures that can help constrain this divergence – e.g. in Latvia this includes common standards set by the Chancellery, the work of the Cross-sectoral Coordination Centre to find alignment in agendas, and the work of budget processes to enforce coherence. However, in a context of increasing change and greater innovation by different parts of the system, these may no longer be sufficient, particularly given as they were not designed with their effect upon the innovation system as the foremost consideration. Nor have the roles that have developed by different agencies viewed primarily through the lens of the public sector innovation system.

While different agencies will not, and should not, view their role primarily through the lens of what effect they are having on the performance of the innovation system, unless organisations have given some deliberate consideration of that effect, their roles will be unintentional or a by-product of other functions. This is unlikely to lead to the optimal performance of the innovation system.

In order for innovation to become a consistent, deliberate and reliable activity within the public service of Latvia, there needs to be explicit consideration of the differing roles that different agencies are playing and what, if any, stewardship roles are being played.

- Provocation 4: How will Latvia ensure that key actors and organisations influencing innovation recognise, and address, their roles and impacts on the public sector's ability to succeed in a world of complexity and uncertainty?

7. Possible courses of action

A number of themes and principles appear throughout this document, including that public sector innovation is always in flux, and always contingent on complex and changeable contexts. As such, there is no single set of recommendations that can be applied to all OECD member countries. Innovation involves changing what is, and when 'what is' is constantly changing, then so will and should the act and process of innovation.

Nonetheless, any journey needs to start somewhere and build upon what is already in place. Given the need for a more deliberate and systemic approach to innovation, the context of the Public Service of Latvia, the lessons from other countries, the observations made and the implications and provocations put forward, what might be done?

The following outlines some possible courses of action that could provide help in building momentum for the public sector innovation agenda in Latvia and support a more systemic approach taking hold. These can serve as starting points for discussion within the system to further elicit collective aims, needs, priorities and actions. They are proposed in a series of increasing levels of ambition/radical action.

1) Formalise the innovation network

The act of innovation can be a challenging process, involving going outside of one's comfort zone and working in different ways. Peer support, sharing lessons and drawing on examples and inspiration from others can be very important. While the informal innovation enthusiasts network is a good starting point, a lot of value could be gained from formalising this, including some support for it from the Innovation Lab and the Chancellery to help conduct meetings, run events, share information and provide a forum for exchanging experiences and lessons. An example that could provide inspiration is that of Ireland and its Public Service Innovation Network and Innovation Week (Box 7.1).

Box 7.1. Ireland's Public Service Innovation Network and Innovation Week

The Public Service Innovation Network aims to support the development of a culture of innovation across the Public Service of Ireland. The membership is wide-ranging and focuses on communicating key innovation messages and building enthusiasm for innovation across the Public Service. The Network is a mechanism to build skills in innovation and to provide the tools and resources to members. Successful innovation relies on connections between people and the sharing of ideas and experiences and the Network aims to enable these connections.

The second Irish Public Service-wide Innovation Week took place from 19 – 23 October 2020. Public Service Organisations were asked to put a spotlight on innovation within their organisations for that week. Given the circumstances, the Innovation Team within the Department of Public Expenditure and Reform developed a programme of online events throughout the week that aimed to capture the interest of the wide and varied public service. Where possible, organisations were asked to run their own mini hackathons, collaborate on

initiatives or events with other organisations, invite speakers to discuss aspects of innovation, publish innovation-related material on their internal communications platforms and so on. Innovation Week is an opportunity for organisations to use Innovation Week to drive the innovation agenda as part of a much larger effort in order to understand more about the imperative to innovate and also the opportunities to deliver better and more efficient services to the public.

Source: https://www.ops2020.gov.ie/news/launch-of-innovation-network/ and https://www.ops2020.gov.ie/actions/innovating-for-our-future/innovation/innovation-week/

2) Convene the major actors in the innovation system to discuss their roles within the system

Key agencies are already playing significant roles within the system (e.g. the Chancellery, the State Audit Office and the Ministry of Environmental Protection and Regional Development), however those roles are currently often implicit. Until these roles are made explicit, there is unlikely to be a collective sense of shared expectations of each other, and a higher potential for mismatched roles, duplication of effort or absence of necessary efforts, and confusion as to who should be doing what. A convening of the major actors could start with each self-describing how they see their own role within the system, before exploring what gaps, overlaps and refinements might be needed.

As part of these discussions, perhaps after the clarification of core public sector roles, it will also be important to consider the broader ecosystem of actors that constitute the public sector innovation system. This includes the design community, academic actors such as the universities, private sector, state-owned enterprises and civil society. There will be many capabilities and sets of skills and expertise that could be leveraged in the public sector innovation journey of Latvia – what roles are being asked of them? What might they be able to contribute? Where might they be effective partners, and where might there be limits or constraints (actual or perceived)?

3) Help politicians and senior leaders explore and understand their role in shaping the public sector innovation system

Within those organisational roles, innovation will also be dependent heavily upon the roles played by politicians and senior leaders. They help shape and define priorities, but they also can have a great influence upon the opportunity and capacity for organisations, teams and individuals to innovate in practice. As an example of roles that can be played, Box 7.2 outlines some that politicians can exemplify. Within the context of their work and support of organisational and public sector effectiveness, senior leaders should have regard to how they can help with delivering clarity, parity, suitability and normality for innovation (see Annex B) and how they can tie innovation considerations into their existing management (see Annex C).

Action in this area should be guided by an acknowledgement that while individual politicians and leaders can play an important role in public sector innovation, it is important that the system – e.g. something broad-based and interwoven – is not, or does not become, over-reliant on any one individual. While it is valuable and useful for senior leaders to be exemplars

and advocates, this should be a widespread expectation rather than something that falls upon one or two, as that will not provide for a reliable, consistent or sustainable approach to public sector innovation.

Box 7.2. Example roles politicians can play in shaping the public sector innovation system

* Driver – this is where a politician is effectively the force behind a particular innovation, and where they have a passion or interest in driving (the) reform.

* Experimenter – this role involves the politician testing out new approaches, methods or thinking, giving room for new ideas.

* Convenor – In this role the politician brings together relevant players around a particular problem or innovation.

* Stickler – Politicians can also use existing rules and process to great effect in supporting innovation.

* Scout – Here a politician may be the lone voice about an emerging or previously unnoticed issue.

* Regulator – Sometimes innovations require new frameworks and legislation in order to thrive.

* Protector – In this role the politician can act to provide the political cover or safety needed for the public service to undertake the innovation.

Source: https://oecd-opsi.org/public-sector-innovation-and-politicians/

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4) Ensure that the Innovation Lab has the resources and support required to deliver pathfinder successes and influence the rest of government in its early stages

It can take several years for innovation labs to realise their potential, particularly when they have to work in parallel on specific design and innovation challenges as well as building capacity and system-level changes to support innovation projects. The Innovation Lab represents a strong commitment to innovation and is likely to be the nexus of experiential learning, successes that drive cultural acceptance, good practices, and innovation-focused reform advice. However, labs also need support, capacity, policy and legal alignment, strong project partners, and space to experiment rather than offer guaranteed immediate successes. Senior leadership should be an active participant in understanding, and helping to resolve, the Lab's challenges in delivery early successes.

5) Continue to expand training in innovation and innovation methods

The training of public servants through the School of Public Administration in innovation and specific innovation methods (e.g. design thinking) has clearly been an important step in the Latvian context in establishing and nurturing an innovation mindset. This work should be continued and built upon, with consideration given to how to help public servants apply that learning in their day-to-day work. Giving public servants the confidence to use that knowledge and apply it environments that are not yet used to these methods can be important to ensure

that these innovation skills are actually applied in practice. An example of relevance is that of the Australian BizLab Academy and Alumni programme (Box 7.3).

Box 7.3. Australian BizLab Academy and Alumni programme

BizLab, an innovation lab within the Australian federal government, created a Human Centred Design (HCD) Training Academy to develop skills public servants will need for the future and create a citizen-centred culture in the Australian Public Service. This learning is then backed up with ongoing support through an alumni programme, to help people actually use what they learnt in their day-to-day work.

Support for alumni of the course includes:

- Digital support with a chatroom to share messages about methods and mindsets, a newsletter to provide updates and information on upcoming events and activities, and a collaboration site to share documents and other resources.
- Face-to-face support such as one-on-one mentoring that provides alumni with the confidence to practice their new skills in a timeframe that suits them, network support and making connections between people within the same agency who have completed the course so they can set up their own 'home' network and have local support, deep dives and special events.
- Other support such as tip cards that are given to participants as they finish the course as a physical reminder of the tools they learned, and templates used during the human-centred design process, and a train-the-trainer programme where experienced people are trained in how to deliver the Academy training in their own agency.

Source: https://www.oecd-opsi.org/innovations/bizlab-academy-and-alumni-program/

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6) Create an explicit public sector innovation strategy

Building upon existing commitments, plans and the innovation manifesto, work to create a public sector innovation strategy (or similar) that outlines key ambitions through an innovation lens – e.g. what/where are the main things that innovation will be an essential component? How can clarity be provided about what role innovation plays within the Latvian public service, what is sought from innovation efforts, and what are the key expectations and supports for those trying to undertake innovation? An example of such a strategy is the public service innovation strategy of Ireland (Box 7.4). Such strategies are best framed around a small number of memorable, reinforcing pillars. For example, a Latvian strategy could be built around *Building capacity, Innovation leadership, and Enabling Innovation:*

- a focus on *capacity* would allow Latvia to build on existing work and strengths
- a focus on *leadership* creates the public service-wide scope necessary and a broad force of cultural and communications effort

- work towards *enablement* could address some of the most common perceived barriers (permission, funding, procurement) as both direct support and as visible proof to public servants that action is being taken, reinforcing the leadership message and cultural shift.

Box 7.3. Ireland's public service innovation strategy

Ireland's recently published Public Service Innovation Strategy "coordinates the Government's ambitions and commitment to grow innovation across Ireland's Public Service," centred around four priorities:

1. Putting users at the heart of services
2. Developing a permanent culture of innovation
3. Sharing successful innovations to maximise lessons learned and collaboration
4. Involving more and new voices in public sector transformation, and experimenting with new technologies and emerging policy approaches.

The Strategy itself comes with multiple implementation supports, such as detailed guidance, tools, and templates.

Source: Government of Ireland, https://www.ops2020.gov.ie/actions/innovating-for-our-future/innovation/innovation-strategy/

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7) As part of that strategy, introduce a cross-agency innovation portfolio approach

Every public sector agency should and will innovate in some way, however without an aggregate view and appreciation of what is happening across the system, there is a risk of unnecessary duplication, competing efforts, and lost lessons. Taking a cross-agency innovation portfolio approach (possibly drawing on the OPSI innovation facets framework) could allow for organisations to share in a structured way their innovation priorities, activities and lessons, and provide central agencies with a more informed view of where innovation activity is needed, complementarity between activities, and investments and lessons that might be of use in other parts of the system. This might start as asking agencies to articulate their own innovation portfolios, identify the mix of activity that is occurring, the range of investments in different types of innovative activity, and where those agencies might be seeking help or assistance and/or what they have learned from that portfolio.

8) Identify a high-level ambition that will drive system-wide innovation efforts

Innovation is not a goal in and of itself, but a necessary capability in order to achieve whatever the ambitions or needs might be. Having a clear and ambitious system-wide innovation effort can help to not only work towards a particular goal, but also build capability and sophistication in the innovation practice as a side-effect. The Public Service of Latvia might consider setting a high-level ambition as part of their efforts on delivering on the goals of the government and needs of society, and simultaneously consider how to use that ambition to build innovation capability. Two examples of system-wide innovation efforts are provided in Box 7.5.

Box 7.5. System-wide innovation efforts

Canada's [Beyond2020](#) Renewal programme
Canada's federal public service has identified three renewal pillars towards an *Equipped,*
Agile, and *Inclusive* public service in order to prepare government for rapid change in
uncertain directions. Each government organisation, led by a top-level management
Champion, defines its own set of initiatives and approaches towards these common guiding
points, supported by a central secretariat and peer collaboration. Champions report on and
share initiatives annually, and the most successful are spread and amplified.

Why it matters: Canada's approach represents a simple and memorable set of guiding
principles – *Equipped, Agile,* and *Inclusive* – that sum the government's vision. It provides an
alternative, or complementary, path to a central strategy, in that each organisation defines its
own approach, but commits to sharing successes and lessons learned back to the broader
system.

Denmark's mission-oriented approach to climate goals
Denmark has set [an ambitious goal](#): to "be a green frontrunner in global climate action that
inspires and encourages the rest of the world… 70% emissions reductions by 2030 and
climate neutrality by 2050."

Denmark is supporting this goal through mission-oriented and anticipatory innovation
approaches: creating broad space and support for innovation and experimentation for a
wide range of organisations and initiatives that all have something to offer towards emissions
reductions. These investments recognise that the government cannot predict in advance
what the most successful interventions might be, what sectors will lead, and how our
understanding of the problem space will evolve over time.

Why it matters: Denmark's approach represents a concerted effort to foster innovation in
service of policy and societal goals, which will typically involve the intersection of the public
sector and the private, social, and academic sectors. When managed as a learning exercise,
missions can provide a systematic, structural way to identify promising policy interventions in
complex problem spaces.

9) Support the ambition with a central capability

Efforts to support ambitious goals, especially those involving innovation, can often be derailed
by the learning curves of trying something new, absence of necessary or relevant expertise or
unanticipated administrative hurdles. In order to overcome such issues, it can be helpful to
have a central capability that can support the different areas undertaking the innovative efforts,
to pool learning, share expertise, minimise hurdles and provide support as needed. Many teams
require design and innovation skills at crucial moments, but possibly not as full-time and
permanent resources. It might be appropriate to create a central capability, matched with
necessary resources and expertise, to aid delivery at lower intensity, but at a greater scale. This
could be a separate organisation from the Lab based on broader, on-demand support, or a
future extension of the lab's work and resourcing levels. However, it cannot be an unresourced

additional responsibility, which would reduce focus and add risk. An example of this is that of the digital transformation of services offered by the Public Service of Brazil (Box 7.6).

Box 7.6. Digital transformation of public services in Brazil

As part of an ambitious goal to digitise over 1700 federal government services, the Secretariat of Digital Government and the Secretariat of Management within the Ministry of Economy provided agencies with support for digitising services through what was effectively a one-stop-shop. This support included:

- Centralising and streamlining the contracting process for relevant services and processes that agencies might need to access when digitising their service(s)
- Provided access to software tools to assist with digitisation
- A single-sign on solution for users of the service
- Access to methodologies to help agencies consider the costs and benefits of digitisation
- Access to tools to help agencies simplify and transform their services such as design thinking.

This holistic approach reduced the transaction costs and learning curve for those agencies seeking to digitise their services, thereby making it easier to work towards the goal of rapidly digitising disparate governments services over many government agencies.

Source: https://www.oecd.org/gov/the-innovation-system-of-the-public-service-of-brazil-a1b203de-en.htm

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10) Create a capability for anticipatory governance

Innovation activity within the Latvian public sector tends to focus on more incremental types of innovation, fitting within the enhancement-oriented or adaptive facets of innovation. Governments increasingly require a capacity to engage with a range of possible futures through structures and skillsets in strategic foresight, experimentation, and anticipatory innovation. The COVID-19 crisis is the illustrative, but by no means only, example of the value of preparing for potential shocks. For example, governments may choose to deliberately innovate towards emerging technologies (e.g. 5G) or operating models (e.g. Rules as Code) to understand implications and prepare for private sector and societal adoption. Such a capability works in concert the state-owned enterprises, start-ups, and private sector companies to explore the edges of industry development and support policy and legislative development.. This work would vary from the support and work of the existing Innovation Lab, with a dedicated mandate to explore disruptive trends and shifts and work with stakeholders on practical projects that help highlight and illustrate the practical implications for the public sector.

Principles

Regardless of the interventions that are considered or that take place, consideration should be given to the following principles to help guide action and reflection.

1. Look at public sector innovation as a system, recognising that investments and projects are strongly subject to context. Organisations, structures, policies, practices, protocols,

traditions, cultures, capabilities and capacities – including many that do not include innovation as a goal – will influence efforts and outcomes. Each intervention will be made in an existing mix of activities and forces, and each intervention will make only a partial contribution to moving towards a desired state.

2. Recognise the system as a dynamic one, with innovation being an ongoing journey rather than a fixed goal. The needs, ambitions and contexts of Latvian society and its government will continually change, sometimes abruptly, and so therefore will the necessary responses, meaning that innovation, both as a process and an output, will need to continually evolve, and so too will the supports for it.

3. Strive for consensus and definition on Latvia's goals for innovation capacity, engaging core organisations and actors in supporting the system, regardless of whether or not their work focuses on innovation.

4. Equally, strive for consensus and definition on the barriers, challenges, and limitations, while also recognising that as a dynamic system, the removal or mitigation of one barrier is likely to reveal a new or different limiting factor that will need to be addressed in turn.

5. Recognise the value of innovation processes in areas of complexity and uncertainty, and how experimentation and structured learning can be a strategic support to achieving the government's priorities.

6. Ensure efforts are guided by an appreciation of:
   o The innovation determinants – how might each intervention effect the degree to which there is clarity about, parity of, suitability for and normality around innovation? (see Annex B)
   o The innovation facets – how might each intervention effect the tendencies and nature of the innovation activity that will occur?
   o Innovation stewardship – how might each intervention effect the extent to which there is a capacity for seeing the system as a whole and appreciation of the differing elements.

7. Organisational leaders should consider their existing operations through the lens of innovation management, to see how existing activities, functions and processes might be harnessed to support innovation (see Annex C).

8. Conclusion and next steps

It is clear that Latvia has undertaken a number of important steps and investments to ensure a more sophisticated and deliberate approach, in line with its adherence of the OECD's Declaration on Public Sector Innovation. Yet, innovation is an ongoing journey, and there is opportunity to do more in ensuring that innovation is a reliable, consistent and strategic activity and resource that can be drawn upon by the Public Service of Latvia to deliver on the ambitions, goals and needs of the government and citizens alike.

This report serves as a reflection of the public sector innovation system of Latvia, drawn from the collective insights and experiences of Latvian government officials, stakeholders and observers. It is an effort to make explicit the influences shaping whether and to what extent innovation occurs and the forms in which that innovation manifests. This is a necessary starting point for understanding and deliberately improving the system for individual, organisational, or system-level innovation.

This discussion should consider both those elements that are specifically about innovation – e.g., training, labs, skills, and investments – but must not neglect other elements that inadvertently, but strongly, influence how the innovation process unfolds or the innovation activity that takes place. If the barriers for individuals to innovate remain too high and costly, other investments and cultural efforts will fail or be stifled. In short, Latvia's context and previous governance paradigms are as yet still more attuned to predictable outputs and trying to achieve certainty about the results of actions. This affinity must be nuanced and adjusted to support innovation, experimentation, and organisational learning as a necessary interim outcome towards long-term results. This does not constitute accepting a higher degree of risk; rather, this approach is less risky in complex environments, accepting short-term uncertainty as a structured process leading to iterative understanding and improvements over time (the alternative is not certainty, but rather, a *false sense of certainty*).

This scan has highlighted a number of observations, provocations and opportunities for the public sector innovation system of Latvia. It provides the basis to consider and inform the ongoing evolution of this system so that innovation can help the government face challenges both known and unknown, expected and unanticipated. The scan is intended to help make the system more discernible, to aid richer conversations about what is needed, wanted and possible. There is no single path for innovation – rather the scan can aid Latvia's navigation between the many paths before it.

In the first half of 2021, OPSI will work with the government of Latvia to validate, challenge, and develop further insights regarding the initial findings of this scan to better inform Latvia's agenda and action plan and future investments in ensuring the people of Latvia can rely on its government to develop and deliver novel solutions to problems both old and new.

Annex A. List of individuals who provided insights into this project

Thank you to many individuals who offered their time and insight: Liene Briede, Gatis Ozols, Janis Citskovskis, Agita Kalvina, Inita Paulovica, Evita Feldberga, Dmitrijs Stepanovs, Lilita Sparane, Lauma Muizniece, Ilga Bērzkalna, Kaspars Rožkalns, Viktors Toropovs, Laila Medina, Normunds Bergs, Ingmārs Pūķis, Pēteris Vilks, Māris Sprindžuks, Jeļena Solovjova, Imandra Galandere-Zīle, Jekaterina Macuka, Didzis Dejus, Uldis Zariņš, Kristine Dambe, Janis Erts, Agnese Irmeja, Ingrida Rone, and Guna Paidere.

Additional thank you to the Innovation Lab team of Laura Dimitrijeva, Marina Blaske, and Inese Brokāne-Zarāne, as well as to Sebastien Renaud and the teams at Design Elevator and PricewaterhouseCoopers.

Annex B. Additional information about the innovation determinants

The following (OECD, 2019a) provides details about each of the innovation determinants as they manifest at the system level and the identified leaders for influencing them, and thus the system's performance.

Clarity

Clarity – the quality of being certain or definite. Are system actors receiving a clear signal about innovation and how it fits with other priorities?

Practical elements of clarity include whether the actors within the system:

- Understand what innovation means from talking about it, seeing it or experiencing it first hand. Do public servants get to have first-hand experience of innovation, do they see it in their work, are their avenues for them to discuss what it might mean in their context?
- Know why, when and how innovation is a priority, and can situate it in relation to other priorities. Is there an articulated explicit sense of when and where innovation is expected and how that can and should occur?
- Know how (if) they can contribute to innovation and what role others play. Who plays what roles in regards to the innovation process, and what room is there for people to participate and contribute even or particularly when they do not have an explicit innovation role?
- See how innovation fits with their shared history and their own context. Is there a shared narrative or understanding about how and why innovation is important to the the work of the public service and their own organisation or function?

Some guiding questions to help illustrate the degree to which clarity exists include:

- What signal is being sent about innovation?
- What story is being told about innovation?
- Is there sufficient clarity about innovation, its value, and what is expected, to ensure that it is a focus?

Parity

Parity – the state or condition of being equal. Does innovation have equal standing with other considerations when it comes to proposed courses of action?

In practice, parity would depend on the degree to which:

- Processes are open to challenge. Are people allowed to say when they see or interact with a process that is frustrating efforts to do something new, and are those concerns given sincere attention?
- Information and decision-making bottlenecks can be circumvented. Do ideas and issues need to go through particular roles and channels, or is there room to raise issues that may be stopping innovation in a more general setting?
- It is easy to find and build a coalition of the willing around shared issues. Can people easily find and connect with others who might be interested in exploring similar issues?
- Different types of risk can be distinguished, and the difference between risk and uncertainty is appreciated. Is the risk of continuing with the status quo given equal weighting with the risks of doing something new?

Some guiding questions to help consider the extent to which parity exists between innovation and the status quo include:

- Are existing processes and practices inimical or open to doing things differently?
- Do those putting forward new ideas feel challenged to improve and develop their innovative proposals through their interaction with the relevant processes and practices, or do they feel exasperate, exhausted and word down by them?
- Do those in middle management positions feel able, equipped, empowered and ready to engage with new ideas and innovative possibilities?
- Do the relevant processes and practices encourage a healthy engagement with risk? Do they generally encourage consideration of the risks of *not* innovating?

Suitability

Suitability – the quality of being right or appropriate for a particular person, purpose, or situation. Are the capabilities, systems and infrastructure appropriate and sufficient for the available options?

In an operational sense, the degree of suitability could be influenced by the extent to which:

- Learning occurs from areas that are already matching the external rate of change. Do organisations look to peers and leaders for advice and to share experiences about having to navigate uncertainty and disruption?
- Technologies and their implications are socialised in government. Are leaders given/do they take the opportunity to engage with and learn about new technologies and business models?
- New operational models are engaged with and tested and tried in government. Are new ways of working, service delivery and engagement with service users and citizens routinely explored and 'played with'?

- Changing expectations are understood, and any trends and signals that existing capabilities are insufficient are identified. What steps are taken to identify and monitor shifts in expectations?

Some key questions to guide thinking about suitability include:

- Are the underlying systems of government seen as being calibrated for innovation?
- How are new technologies socialised and introduced into government?
- Is there a clear understanding of citizen expectations of government in an environment of high rates of external change and innovation?
- Does the commitment to and investment in innovation match the rhetoric about the need for innovation?

Normality

Normality – the condition of being normal; the state of being usual, typical, or expected. Is innovation seen as integral, rather than as an occasionally accepted deviation from the norm?

Normality in practice might mean:

- Identifying the behaviours to support innovation. What is expected from staff?
- Reinforcing the links between innovation and regular business. Is innovation seen as an extra or a core part of the role?
- Socialising innovation. How are innovative ideas, topics, cases and issues shared and reflected upon?
- Upholding innovation. Are responsible efforts to try new things celebrated?

Some key questions to guide thinking about normality include:

- Is there a set of identified and demonstrated behaviours for supporting innovation?
- Is innovation (and the associated breaking with convention/questioning of current practices) valued in regard to career progression?
- What happens in the event of public criticism of something seen (mistakenly or otherwise) as being innovative? Is the default response defensive or openness?

Annex C. Organisation elements influencing innovation

The Innovation Management literature refers to a common set of functions to examine as part organisational management. This can be seen as a more granular breakdown of the innovation determinants, and provide a sense of the various 'needs' actors in the system have, and the extent to which those are managed at the broad, public service-wide level in Latvia.

Innovation management system elements

Theme	Examples of elements	Presence in Latvian system	Analysis
Context	Scanning the external and internal environment, identification of trends	Distributed	Ad hoc
Direction	Vision and direction	Parliament for national priorities Cross-sectoral Coordination Centre for long-term planning State Chancellery for the public administration	Potentially too-high level and broad to give direction to innovation activities
Leadership	Commitment, mandate, engagement, future focus, communication	Distributed	Ad hoc, individual leaders throughout
Culture	Work environment, social context, values	Distributed	Ad hoc, some leadership-driven cultures of innovation
Processes	Innovation processes, idea generation and selection	Possibly absent outside the Innovation Laboratory intake process	Possibly absent
Structures	Organisational setup, governance, roles and responsibilities	Distributed	Ad hoc, few innovation roles
Support and resources	Funding, people and time. Tools and methods, competencies and skills.	Possibly absent outside the Innovation Laboratory	Ad hoc, reported as a challenge areas
Evaluation	Innovation metrics, indicators, monitoring, assessment, evaluation, review, feedback.	Largely absent	State Audit generally seen as an evaluation organisation unaligned with innovation goals

Source: Magnusson and Karlsson, the Systems Approach to Innovation Management, p. 83.

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