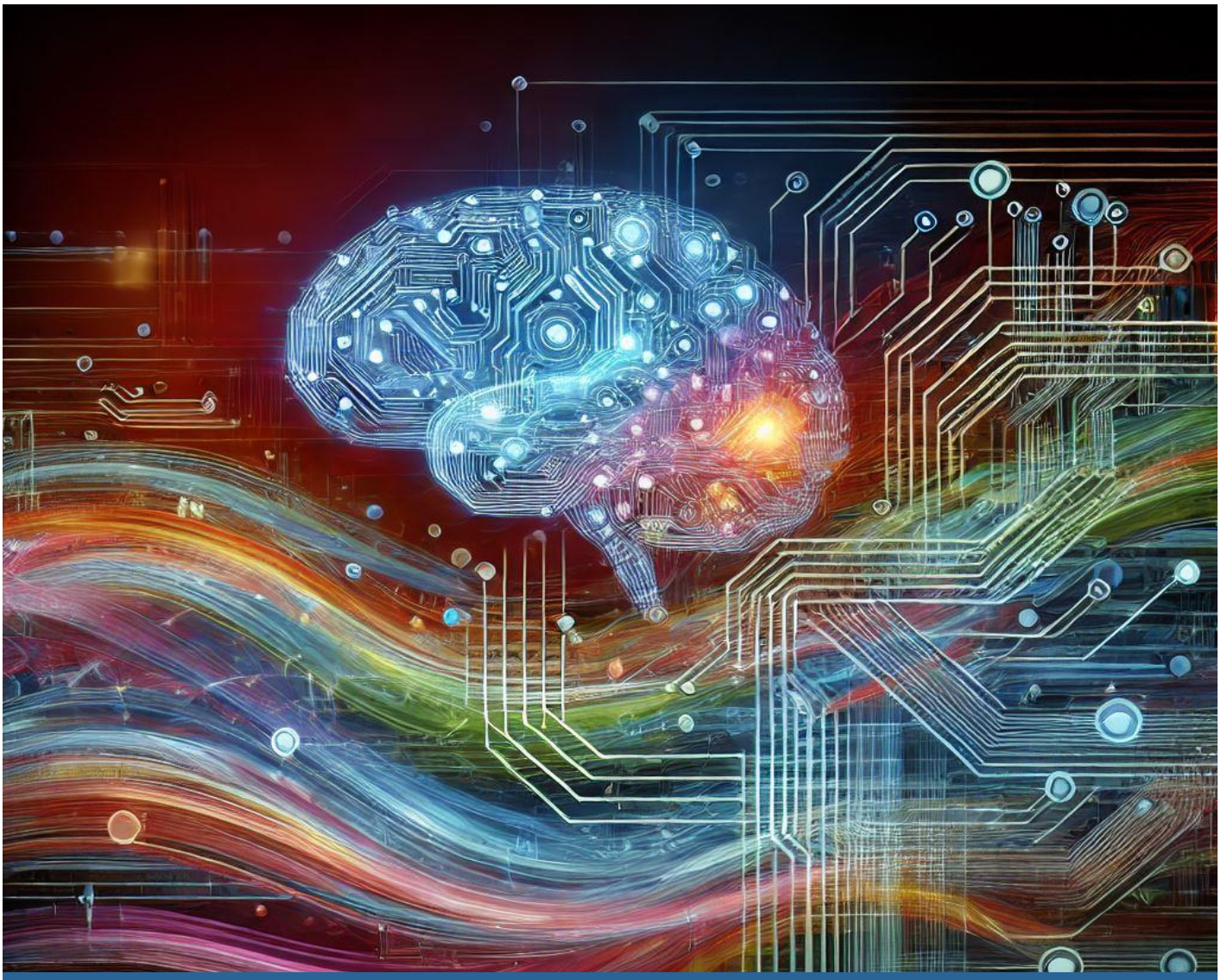

Introduction and use of Artificial Intelligence in Latvia

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Review Report

6 May 2025

Review “Introduction and Use of Artificial Intelligence in Latvia”

The Review Report was drafted based on audit schedule No 2.4.1-72/2024 of the Audit and Methodology Department of the State Audit Office of Latvia of 20 August 2024.

The cover design includes an image generated by AI tool *Microsoft Copilot* on 7 February 2025.

Why has the Review been conducted?

In recent years, there has been a rapid development of artificial intelligence (hereinafter – AI). The topic of AI became relevant in society with wide access to generative AI tools (for example, ChatGPT, Copilot, Gemini, etc.). In 2024, the European Union (hereinafter – EU) adopted the first legal regulation in the field of AI – the AI Act[1], which addresses the risks posed by AI and sets out a set of rules for AI developers and implementers. The AI Act aims to improve the functioning of the internal market, ensure legal certainty, promote the human-centric and trustworthy use of AI, ensure a high level of protection of health, safety and fundamental rights, and support innovation, while protecting democracy, the rule of law and environmental protection.

Even before the adoption of the AI Act, attention was already paid to AI issues in Latvia at the EU level, and the Ministry of Smart Administration and Regional Development (hereinafter – MSARD) prepared informative report "On the Development of AI solutions"[2] and the Cabinet of Ministers took note of it in 2020. When taking note of the latter[3], several important tasks were identified for both the MSARD and other ministries:

- Designate the MSARD as the leading institution in matters of development and implementation of AI solutions in state administration;
- When developing national or sectoral development planning documents or their amendments, ministries shall conduct an assessment of the automation of state administration tasks and the use of AI, and the MSARD shall provide advisory support to ministries;
- In the planning process of the 2020–2029 state budget and EU funds, the ministries shall assess the expenses related to the automation of state administration tasks and the integration of AI systems into services;
- Take note that, in accordance with the European Commission (hereinafter – the EC) Plan, Latvian public sector investments in the development of AI solutions should reach 25 million euros per year by 2029;
- The MSARD shall draft changes to the e-index of Latvia by 30 December 2020 by supplementing it with indicators characterising AI;
- When drafting planning document "Digital Transformation Guidelines for 2021–2028", the MSARD shall identify the introduction of AI solutions as one of the priorities of state administration;
- The MSARD shall develop and submit an informative report on recommendations for the communication of state administration in the field of AI to the Cabinet of Ministers for consideration by 1 June 2020.

AI is also currently a hot topic on the agenda, as the Saeima (Parliament of Latvia) has adopted the Law on the Artificial Intelligence Centre[4] (hereinafter – the AI Centre), and the Cabinet of Ministers has taken note of informative report "On the Implementation of the Requirements of the Artificial Intelligence Act"[5] (See Figure 1).

2020	2021-2023	2024	2025
The Cabinet of Ministers takes note of informative report "On the Development of AI solutions	- National or sectoral planning documents do not always include an assessment of the use of AI - The current legal framework and its application in situations created by Al are not assessed	The EU adopts the AI Act	The Cabinet of Ministers takes note of informative report "On the Implementation of the Requirements of the Artificial Intelligence Act"

Figure 1. Document development progress to date.

The purpose of the Law on the Centre for AI is to create an AI technology ecosystem and establish a legal framework for cooperation among the public sector, the private sector and universities, as well as to establish a Centre for AI to facilitate the transfer of innovations, the development and implementation of AI capabilities in strategic areas that meet national interests and increase the country's competitiveness in health, education, security and defence, as well as in state administration, and other areas. The establishment of a Centre for AI will also contribute to the improvement of public skills in the application of AI capabilities, as well as improve expertise in risk management of AI solutions[6].

Taking into account the relevance of AI in the world, the development of regulation in the EU and progress reached in Latvia, as well as taking into account the expected potential in the use of AI in the world, the State Audit Office of Latvia agreed to carry out joint work to identify the readiness of state administration[7] to implement AI solutions and to create comparative research material on the development of AI in the EU Member States upon receiving an offer from the IT Working Group of the European Organisation of Supreme Audit Institutions (EUROSAI ITWG).

In the joint working group with colleagues from other countries, that is, Israel (coordinator of the joint work), Estonia, France, Italy, Lithuania, North Macedonia, Poland, Romania, Slovakia, Switzerland, nine blocks of questions were determined to identify the situation in the implementation and use of AI (See Figure 2).

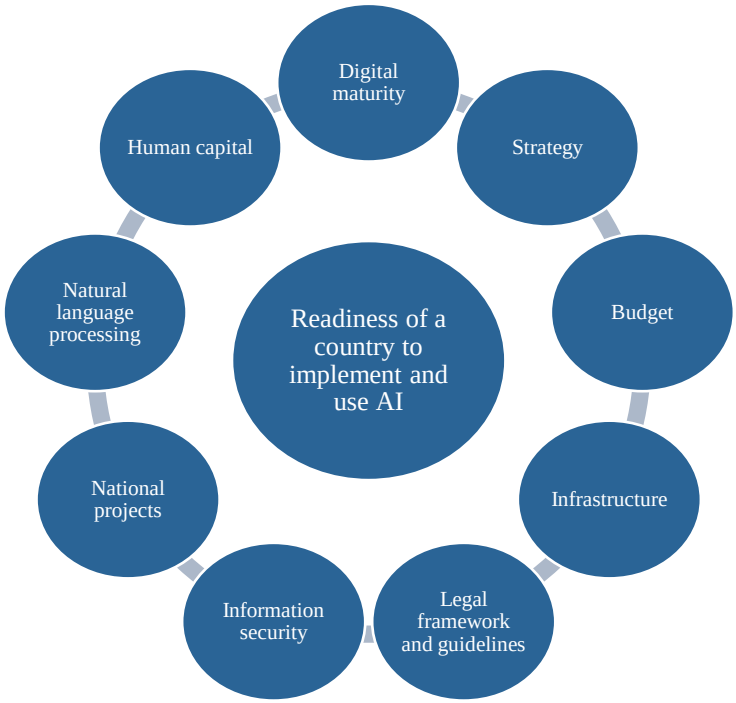

Figure 2. Blocks of questions identified in the IT Working Group.

The results of the joint work are planned to be published in the second half of 2025, but for now we offer to familiarise with the situation in Latvia.

Since the goal of the Review is to summarize facts on current issues in a short time, without drawing conclusions or providing recommendations, we mainly communicated with the MSARD as the leading institution for AI issues in state administration. In this Review Report, we have summarised and provide more detailed information on specific aspects of AI development by outlining both challenges and opportunities. We hope that the issues identified in the Review will be useful for the further development of AI, including when responsible institutions plan and decide on the necessary improvements. The Review Report is mainly addressed to the institutions involved:

- The MSARD as the leading institution[8] in the development and implementation of AI solutions in state administration;
- Foundation "Centre for AI"[9], which will facilitate the implementation of AI in areas with high potential by uniting the public sector, the private sector and science according to national interests, national competitiveness, public skills, ethical, responsible and safe use of AI[10].

Although the regulations of other ministries do not include a precise function in the field of AI, nevertheless, the Ministry of Education and Science, the Ministry of Economics and the Ministry of Defence also play a significant role in the context of AI development when considering the fields of activity of the ministries.

The aim of this Review is also to provide information to each ministry and state institution as a potential implementer, user and developer of AI solutions in its sector, including for the formation of sectoral policy.

To identify and understand how AI technologies are used or planned to be used by the state administration in its work, the information system auditors of the State Audit Office of Latvia interviewed the MSARD, compiled publicly available information and surveyed state administration institutions. There were 119 state institutions invited to complete a survey on their experience in the implementation and use of AI, and 83 state institutions responded. We assess the response to participation in the survey and the interest of the public sector as high.

Summary

The Review summarises facts and provides detailed information on key aspects of AI use and its further development in state administration. These aspects include:

- The current situation in the use of AI solutions and plans for their use, initiated and planned projects, spent and available funding;
- The defined strategy for the implementation, use and development of AI;
- Legal framework and requirements, including with regard to information security;
- Readiness for the implementation of AI solutions from the point of view of digital maturity, infrastructure and human capital;
- Progress in natural language processing.

The survey results show that AI solutions are not new to state administration, as 17% of respondents answered that they were already actively using them at work (for example, using both relatively simpler solutions intended for document translation, information search, text and image processing, and relatively more complicated solutions for data analysis, as well as virtual assistants) and 22% of respondents planned to use them. In their turn, 55% of respondents admitted that they did not have a clear plan for using AI.

The survey results also show that state institutions expect specific benefits from the implementation of AI such as reducing the time required for service provision (30%), improving service quality (22%), and transforming (optimizing) the provision of a service or process. At the same time, respondents are less likely to expect that the implementation of AI solutions could reduce service provision costs (10%), ensure service personalisation (7%), and help create new types of services (6%).

The practice and methodological approach in state administration how to achieve these benefits have not yet been established.

The survey has identified both positive aspects and negative issues (See Table 1).

Table 1

Positive aspects and challenges in AI implementation identified in the survey

Positive aspects	Challenges
➢ 28% of respondents said that they planned to include AI goals and priorities in their institution's strategy. 17% or 18% of respondent institutions had already evaluated the use of AI in some document. ➢ State institutions use or plan to use AI solutions to support research, ensure faster decision-making, improve internal processes and provide services or communicate with customers. ➢ 7 institutions or 41% of respondents whose institutions use AI solutions indicated that productivity had increased after the introduction of AI. ➢ 8 institutions or 47% indicated that they are still planning to evaluate whether productivity has increased after the introduction of AI solutions. ➢ Respondents indicated the following productivity benefits: time savings, increased quality, savings in human resources, and faster work completion. ➢ 23 institutions or 62% of respondents whose institutions use or plan to use AI solutions have conducted or are planning to conduct an assessment of the bias/ethical risks of the AI solution (providing incorrect answers, discrimination, etc.). ➢ No incidents related to the use of AI have been identified so far (cybersecurity incidents, attempts to influence the operation of AI, etc.).	➢ There is no common understanding at the national level of what should be considered AI. ➢ 60% of respondents responded that the institution did not have a designated employee or division whose task was to monitor innovations, including the development of AI. ➢ The majority of respondents (54%) indicated that the sectoral policy planning documents did not include information on the implementation of AI solutions and the institution had not adopted a document (strategy, work plan) that would include goals and objectives in the field of AI. ➢ There is no single approach to accounting for investments in the implementation and maintenance of AI and separating them from other investments is impossible. ➢ 40% of respondents responded that the institution had not implemented risk management, which assessed the risks associated with the use of AI. ➢ 69% of respondents indicated that the institution had not developed guidelines for the use of AI.

In the opinion of the State Audit Office of Latvia, three groups of state administration institutions are emerging, each with its own challenges:

- For state institutions that do not have a clear plan for using AI, the challenge is to keep up with the rest of the state administration in certain areas because the possibilities of AI are not being used to make functions more effective;
- For state institutions that are already actively using AI in their work, the challenge is to ensure sufficient control over the results created by AI, including by reducing the risks of information processing quality and confidentiality related to its use;
- In their turn, for state institutions that plan to use AI, the challenge is to ensure implementation with reasonable resources and in a way that achieves the planned benefits.

These challenges mark a significant role in promoting, coordinating, and advising and supporting the implementation of AI. This is the role of the MSARD as the leading institution in the development and implementation of AI solutions and the established the Centre for AI.

On the one hand, AI is a technology but it is characterised by specific risks at the same time. AI is also associated with the need to invest significant financial resources, for example:

- In 2020, when considering Informative Report "On the Development of AI Solutions", the Cabinet of Ministers took note that, in accordance with the European Commission's plan for coordinated AI development, public sector investments of Latvia in the development of AI solutions should reach 25 million euros per year by 2029[11];
- In Informative Report "Strategic Roadmap for the Digital Decade for Latvia until 2030", the budget for measures identified in section 10 "Artificial Intelligence"[12] that can be attributed to AI activities for business and industry is 165.09 million euros. It should be noted that the measures are dedicated to the digitalization of business in general, including the promotion of the use of AI, cloud computing and big data solutions in enterprises, while not separating the activities intended for the aforementioned areas;
- "European Union Cohesion Policy Programme 2021–2027" Specific Support Objective 1.3.1 "To exploit the benefits of digitalisation for citizens, businesses, research organisations and public institutions", Measure 1.3.1.1 "Development of ICT solutions and services and creation of opportunities for the private sector" has allocated 6.5 million euros for AI applications for administrative productivity[13];
- Informative Report "On the Implementation of the Requirements of the AI Act"[14] identifies that the implementation of the requirements of the EU AI Act will cost approximately 1 million euros annually to ensure the implementation of the functions and tasks specified in the AI Act.

One expects that public administration investments in AI could increase in the coming years. It indicates the need to separate AI solutions from general digitalization plans. For its implementation, not only an action plan for the implementation of AI is important, but also a mechanism for accounting and monitoring progress. Moreover, all that effort must be based on a common understanding of what corresponds to AI terminology at the national level.

The Review identifies several areas for the development of AI in public administration to be targeted and balanced at the same time (See Table 2).

Table 2

Challenges identified during the Review

Area	Challenge
Existing situation	➢ Overall, there is no information available on what has already been done in the field of AI implementation, projects implemented, AI solutions implemented, good and bad experiences, resources used and benefits achieved, assessing whether the implementation of AI has improved effectiveness, increased efficiency or promoted other improvements.

	➢ The necessary infrastructure and other resources for the implementation of AI have not been identified.
Strategy	➢ The field of AI in Latvia has been fragmented, with general goals for AI set out in various documents, without a unified and coordinated policy, as there is no strategy for the use and development of AI that would outline the achievable results, deadlines, responsible parties and funding. ➢ A data strategy has also not been developed, but data is one of the most crucial elements for the development of AI. The lack of a data strategy is partly compensated by the fact that general principles for data dissemination and exchange have been set in Latvia for many years. ➢ In the national-level planning document "Digital Transformation Guidelines for 2021–2027" and the implementation plan, it is not possible to identify specific AI development issues and separate them from digital transformation issues. ➢ Similar problems also exist in sectoral planning documents. Only in the welfare and health sectors, there are more specific AI implementation plans and goals outlined in state administration. In other sectors, they are difficult to identify.
Legal framework	➢ The rapid introduction of AI solutions and the willingness of state institutions to recognise the risks associated with the security, ethical and legal aspects of their operation are of concern, making legal frameworks an urgent necessity. Not only is there a lack of legal frameworks and requirements for the operation of AI, but there is also a lack of guidelines to help state institutions implement compliant, ethical and secure AI solutions.
International and national ratings	➢ In international ratings that measure the development of a country, including business environment, research and industry, digital maturity, national innovation capabilities, and AI, Latvia receives lower rankings than Lithuania and Estonia. In addition, there is a trend that the gap with the other Baltic States is increasing. At the same time, Latvia has a good rating in the maturity of open data, which can promote the development of AI solutions. ➢ Since 2022, the e-index assessment of state institutions and municipalities has no longer been carried out in Latvia, therefore, information about the situation in specific sectors cannot be obtained. ➢ Since 2022, the e-index assessment of state institutions and local and regional governments has no longer been carried out in Latvia, therefore obtaining information about the situation in specific sectors is impossible.

We hope that the Review conducted by the State Audit Office of Latvia and the survey results can help those involved in developing AI policy and determining implementation activities to plan the future implementation of AI technologies in state administration, as well as provide the state administration with a broader summary of the problems identified in the field of AI.

References

1 Regulation (EU) 2024/1689 of the European Parliament and of the Council of 13 June 2024 laying down harmonised rules on artificial intelligence and amending Regulations (EC) No 300/2008, (EU) No 167/2013, (EU) No 168/2013, (EU) 2018/858, (EU) 2018/1139 and (EU) 2019/2144 and Directives 2014/90/EU, (EU) 2016/797 and (EU) 2020/1828 (Artificial Intelligence Act) (Text with EEA relevance), https://eur-lex.europa.eu/eli/reg/2024/1689/oj/?locale=LV.

2 Informative Report "On the Development of Artificial Intelligence Solutions" of 4 February 2020 (taken note of at the Cabinet Meeting on 4 February 2020 (Minutes No 5, § 33)), https://tap.mk.gov.lv/lv/mk/tap/?pid=40475479.

3 The Cabinet Meeting on 4 February 2020, Minutes No 5, Paragraph 33, https://tap.mk.gov.lv/mk/mksedes/saraksts/protokols/?protokols=2020-02-04.

4 The Law on the Centre for Artificial Intelligence.

5 Informative Report "On the Implementation of the Requirements of the AI Act" of 25 February 2025 (taken note of at the Cabinet Meeting on 25 February 2025) (Minutes No 8, §49)), https://tapportals.mk.gov.lv/legal_acts/2d28c354-9baa-4aa2-ab31-fb4757687050.

6 Ministry of Smart Administration and Regional Development. "Latvia on the Wave of Innovation: the Saeima Approves the Law on the Centre for Artificial Intelligence" of 6 March 2025, https://www.varam.gov.lv/lv/jaunums/latvija-uz-inovaciju-vilna-saeima-apstiprina-maksliga-intelekta-centra-likumu, accessed on 13 March 2025.

7 In the context of this Review Report, state administration means state administration, excluding local and regional governments. When conducting a survey of state institutions, local and regional governments and their subordinate institutions were not included.

8 Cabinet Regulation No 586 of "Regulations of the Ministry of Smart Administration and Regional Development" of 3 September 2024, Sub-Clause 5.7.1.

9 Paragraph 1 of the Transitional Provisions of the Law on the Centre for Artificial Intelligence.

10 Section 2 of the Law on the Centre for Artificial Intelligence.

11 The Cabinet Meeting on 4 February 2020, Minutes No 5, Paragraph 33, Article 5, https://tap.mk.gov.lv/mk/mksedes/saraksts/protokols/?protokols=2020-02-04.

12 Informative report "Strategic Roadmap for the Digital Decade for Latvia until 2030" of 30 January 2024 (taken note of at the Cabinet Meeting on 30 January 2024 (Minutes No 6, §25)), https://tapportals.mk.gov.lv/legal_acts/82b52f77-febe-4480-ac95-c11eff9c283a.

13 Minutes No 3 of the meeting of the Thematic Committee on Digital Modernisation of 16 July 2024, Paragraph 4.1, https://www.mk.gov.lv/lv/media/19581/download?attachment, accessed on 27 March 2025.

14 Informative Report "On the Implementation of the Requirements of the AI Act" of 25 February 2025, Annex 5 "The Capacity and Resources Required to Implement the AI Act" taken note of at the Cabinet Meeting on 25 February 2025 (Minutes No 8, §49)), https://tapportals.mk.gov.lv/legal_acts/2d28c354-9baa-4aa2-ab31-fb4757687050.