REPORT ON THE ACTIVITIES OF THE STATE COMPETITIVENESS COUNCIL FOR THE YEAR 2024

Initiative for the establishment of an Artificial Intelligence Centre in Latvia

Following the initiative of the President of Latvia, work commenced on the establishment of an Artificial Intelligence Centre in Latvia. The Centre was also designated the function of providing a specialised regulatory environment for the development of artificial intelligence systems.

The President's proposal to create a National Artificial Intelligence Centre was endorsed by the National Security Council during its meeting on 24 April 2024. Subsequently, the State Competitiveness Council, in cooperation with the Ministry of Smart Administration and Regional Development, continued discussions aimed at advancing the initiative to establish the Artificial Intelligence Centre. During the summer of 2024, three thematic discussions were organised, bringing together experts from public administration, the private sector, and academia. These discussions ensured a broad perspective on the potential of artificial intelligence and its development opportunities. As part of the discussions, the State Competitiveness Council also reviewed available European experience in the establishment and operation of similar centres. Particular attention was given to the functions implemented, governance models, and forms of collaboration between the public, academic, and private sectors. This information provided an essential foundation for understanding how artificial intelligence centres function in other countries and shaping a vision of how a similar model could be adapted to suit Latvia's needs and development goals.

At the end of 2024, the State Competitiveness Council supported the development of the draft law "Artificial Intelligence Development Law", proposed by the President of Latvia. The proposals foresee that one of the core functions of the Artificial Intelligence Centre will be the creation of a specialised regulatory environment. The availability of such an environment is crucial to enable companies to develop and test new AI systems in a secure setting more rapidly and with reduced risk, before these systems are introduced in wider applications. This approach would not only help to lessen the initial investment burden and accelerate the commercialisation of innovative products and services but also ensure that new AI systems comply with security and ethical standards, as well as with the applicable legal framework, thus mitigating potential risks to society. At the same time, public administration authorities would be able to gain valuable feedback within this

regulatory environment regarding the effectiveness of existing regulations and their impact on the development of innovative products and services. Consumers, in turn, could benefit from locally developed innovations.

Broader opportunities for attracting highly qualified foreign specialists to universities

Under the leadership of the President of Latvia, the State Competitiveness Council, in cooperation with the Ministry of Education and Science, prepared amendments to the Law on Higher Education Institutions. These amendments aim to foster excellence in Latvia's higher education and science sectors by facilitating the long-term engagement of highly qualified foreign specialists at universities. As a result, a greater number of international academic staff and researchers would work in Latvian universities, bringing in new knowledge and practices while expanding international collaboration networks.

President of Latvia submitted this legislative initiative to the Saeima on 22 April 2024, and the Saeima approved it on 24 October 2024. The adopted amendments supplement Article 27 of the Law on Higher Education Institutions, allowing the election of foreign academic staff (excluding lecturers and assistants) whose proficiency in the official state language does not meet the requirements set out in the relevant legislation, for a period not exceeding six years, with the aim of promoting the strategic specialisation of higher education institutions. Transitional provisions were also established for academic staff already elected to office at the time the amendments entered into force.

Latvia's competitiveness is directly linked to its performance in business, science, education, and innovation. The amendments to the Law on Higher Education Institutions enable universities to immediately recruit highly qualified foreign specialists who can gradually acquire proficiency in the Latvian language. This measure strengthens the international competitiveness of Latvian universities and contributes to the creation of a more dynamic and innovation-driven business environment.

National Competitiveness Forum for the transfer of international experience

On 3 October 2024, the State Competitiveness Council, in cooperation with Riga Technical University, organised a National Competitiveness Seminar. During the

seminar, industry experts proposed measures to strengthen entrepreneurship, which the State Competitiveness Council used to prepare the content of panel discussions at the international forum dedicated to issues of national competitiveness.

The National Competitiveness Forum, focusing on the role of innovation and science in the economy, the significance of digital transformation, and the effectiveness of public administration, was held on 25 October 2024 at the Riga Castle.

The forum was opened by the President of Latvia and featured high-level discussions on how to measure the economic impact of science, how to increase investment in innovation, and how to strengthen the capacity of public administration to act by implementing OECD recommendations. Particular attention was paid to matters of data exchange and interoperability, which are fundamental to evidence-based decision-making. The participation of international experts allowed for the sharing of best practices from around the world, with a view to adapting them to Latvia's specific needs.

The forum brought together participants from both Latvia and abroad. Panel discussions included foreign experts from NATO, the Massachusetts Institute of Technology, the University of Barcelona, the Organisation for Economic Co-operation and Development (OECD), the UK Centre of Excellence for Artificial Intelligence, as well as representatives from "META", "Skeleton Technologies", and "Axiology".

Study on major exporting and innovative companies

At the request of the President of Latvia, the State Competitiveness Council was tasked to identify key proposals for improving the business environment in Latvia to promote export capacity and innovation. In 2024, the State Competitiveness Council conducted the study "Latvia's Major Exporting and Innovative Companies on Competitiveness and the Business Environment", aimed to classify the primary challenges faced by the largest registered exporting companies in Latvia in six categories: innovation, productivity, export capacity, cooperation, human capital, and bureaucracy.

The study involved 64 owners and top-level executives of Latvia's largest exporting companies, who provided in-depth insights into the challenges of the business environment and offered potential solutions. The recommendations and identified issues highlight critical elements that could foster closer cooperation between

entrepreneurs, policymakers, and executive institutions, thereby enhancing national competitiveness. The study was initiated by the National Competitiveness Council. It was authored by *Dr. rer. pol.* Arnis Sauka, Professor at the Stockholm School of Economics in Riga and Chair of the Council of Vidzeme University of Applied Sciences, in collaboration with the Ministry of Economics.

The results of the study are intended to be translated into practical action. For this reason, four of the identified solutions have been included in the State Competitiveness Council's 2025 work plan. Firstly, to simplify the conditions for national and European Union investment programmes. Secondly, to promote collaboration between higher education institutions and the private sector. Thirdly, to reduce the volume of data and reports required by public authorities. Finally, to improve cooperation between the private sector and state institutions, such as enhancing the efficiency of the State Revenue Service.

Biobank regulation for biomedical research and treatment improvement

To promote the development of scientific research, improve disease diagnostics, ensure more personalised treatment for patients, and advance preventive medicine, the State Competitiveness Council, following the initiative of the President of Latvia, supported the development of a Biobank Law. This legislation will facilitate the implementation of biomedical research by establishing the currently lacking regulatory framework for the collection, storage, and use of human biological samples in research. It will also define the legal framework for patients' rights and obligations in the context of data protection and will enhance the international competitiveness of biomedical research conducted in Latvia, while contributing to the overall advancement of innovation.

The State Competitiveness Council submitted proposals during the drafting of the "Biobank Law" in order to enable its submission to the Saeima in 2025 and to initiate the development of accompanying Cabinet regulation.

Improved exchange, interoperability, and access to public data for researchers

The public sector holds a significant volume of data and information. Efficient data exchange between public authorities not only reduces the administrative burden on

businesses and institutions themselves but also supports evidence-based decision-making and the development of services.

At the request of the President of Latvia, the State Competitiveness Council carried out a pilot research project to understand the various steps and obstacles involved in data exchange between public institutions and between the state and researchers. The pilot project tested data exchange and interoperability between the Central Statistical Bureau and several state institutions based on a specific research project, with the aim of delivering appropriately aggregated and anonymised data to researchers.

This pilot initiative provided practical insight into the challenges of data exchange and contributed to clarifying legal interpretations to ensure more comprehensible and accessible data sharing between public institutions and the research community. In the long term, such data interoperability will support the development of science and innovation by fostering more effective cross-sectoral cooperation, informed decision-making, and strategy development. Improved data exchange between public administration institutions will enable more detailed research and enhance the functioning of state administration system. This will be a significant contribution to Latvia's economic development and strengthening the country's scientific and innovation capacity.