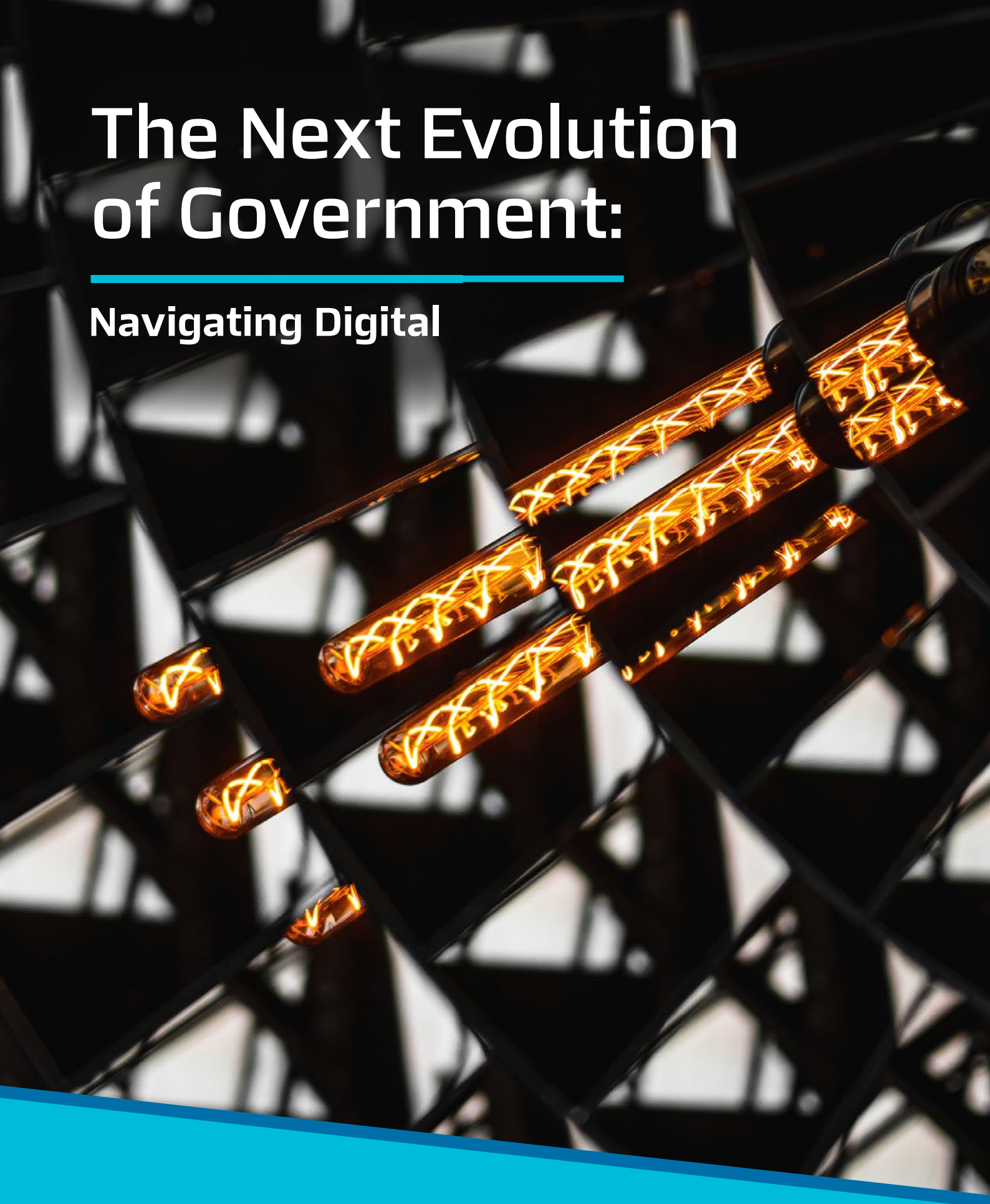
The Next Evolution of Government:

Navigating Digital



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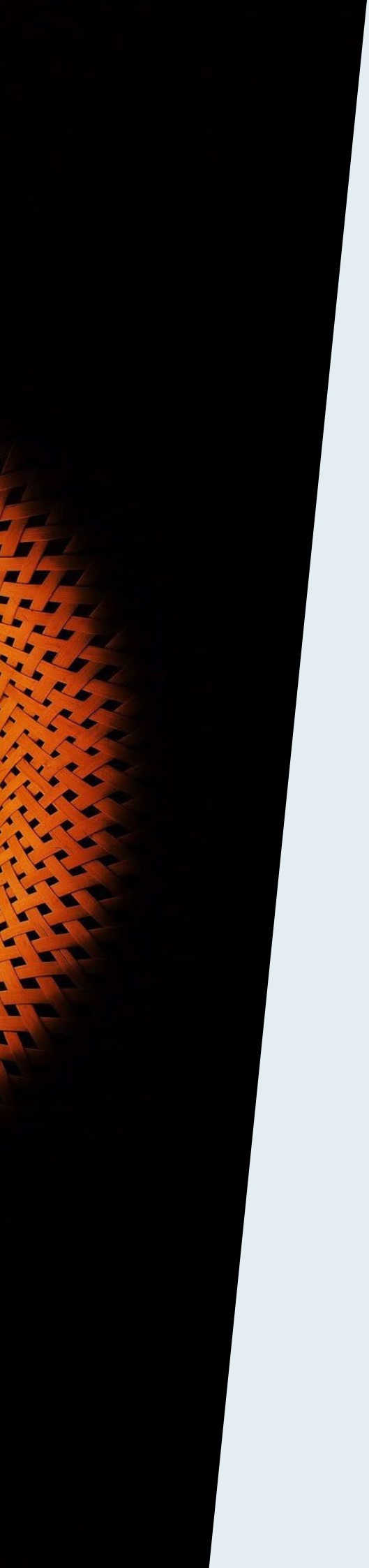
“The best way to predict the future is to create it.”
Abraham Lincoln

Governments have evolved to, among other things, manage social contracts, and they play a central role in contemporary societies. The digital revolution has transformed government operations, particularly in service delivery and the organization of public administration.

As governments adapt to the digital age, they face challenges related to digital inequalities, regulatory control, cybersecurity, and national sovereignty. To address these challenges, governments must reassess their role vis-à-vis public transactions in the digital spaces to ensure fair access, equal opportunity and safety and security for all. This report explores three possible trajectories and two digital platform models that will shape the next evolution of government.

Section 1

Government: From Ancient Origins To Digital Transformation



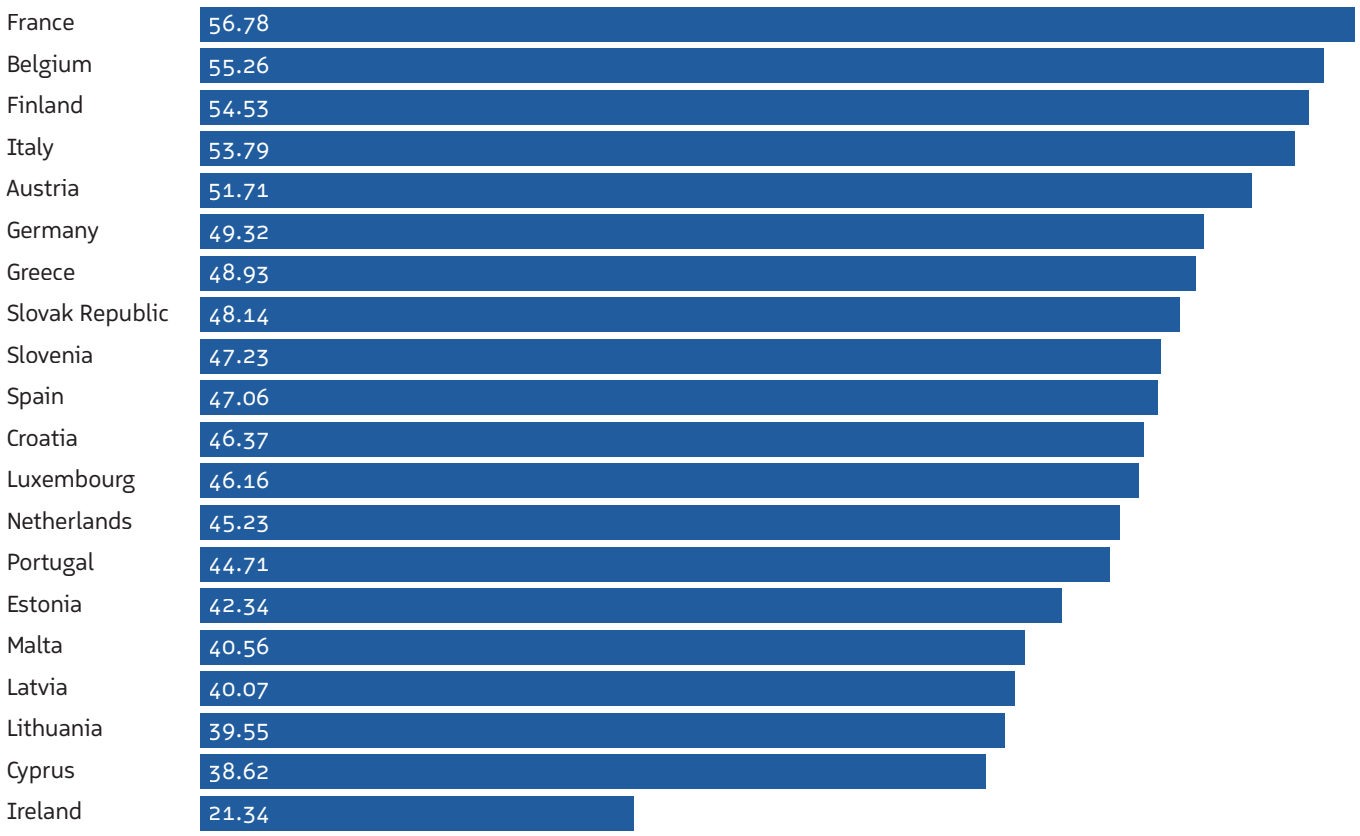
If there is one thing that is certain about the role of government throughout history, it is that there has been constant growth and change. Since its early days, government emerged as a means to manage and enforce social contracts. These contracts, which include agreements between individuals and groups on resource distribution and management, require oversight and enforcement by some sort of authority, which in modern times we call government.

This tradition emerged thousands of years ago, originating from the time of the Sumerians (c. 4500–1900 BCE) in Mesopotamia, and continuing through Ancient Egypt, Greece, and China. Government expansion has been driven by the need to manage an ever-growing range of resources and assets, including land, food, soldiers, and animals. As these resources became more diverse, government has had to adapt and expand its responsibilities accordingly.

Governments play a central role in contemporary societies, assuming a range of responsibilities that have significantly evolved over the centuries through a complex interplay of historical events, cultural dynamics, economic conditions, and social contexts. **In some countries, such as Belgium, Finland, France and Italy, government spending represents more than 50% of Gross Domestic Product (GDP), while in less affluent countries, government spending is less than 20% of GDP.**[1]

Figure 1

General government total expenditure in European Union countries, 2023 (% GDP)



Source: Statista

Regardless of diversity when it comes to the extent of roles, governments universally fulfill fundamental mandates that can be broadly categorized into four key responsibilities:

I: Governments must firstly prioritize self-preservation by safeguarding national sovereignty, ensuring political stability, protecting territorial integrity, and maintaining public order. This involves activities such as national defense, intelligence, surveillance operations, and law enforcement initiatives.

II: A second critical mandate involves conflict supervision and resolution. Governments act as overarching arbiters, maintaining law and order, and providing frameworks for dispute resolution through judicial systems and active law enforcement efforts. This role is vital in fostering a stable and just society.

III: The third responsibility centers on the regulation of the economy. A government steers a country's economic course, aiming for stability, growth, and equitable resource distribution. This is achieved through the implementation of financial policies, industry regulation, and the establishment of professional standards to guide economic activities.

IV: Governments are also charged with the provision of goods and services essential to the wellbeing of the populace. This includes the delivery of crucial public services such as healthcare and education, as well as investments in infrastructure development, including roads and public buildings. By fulfilling these responsibilities, governments contribute to the overall welfare and development of their societies.

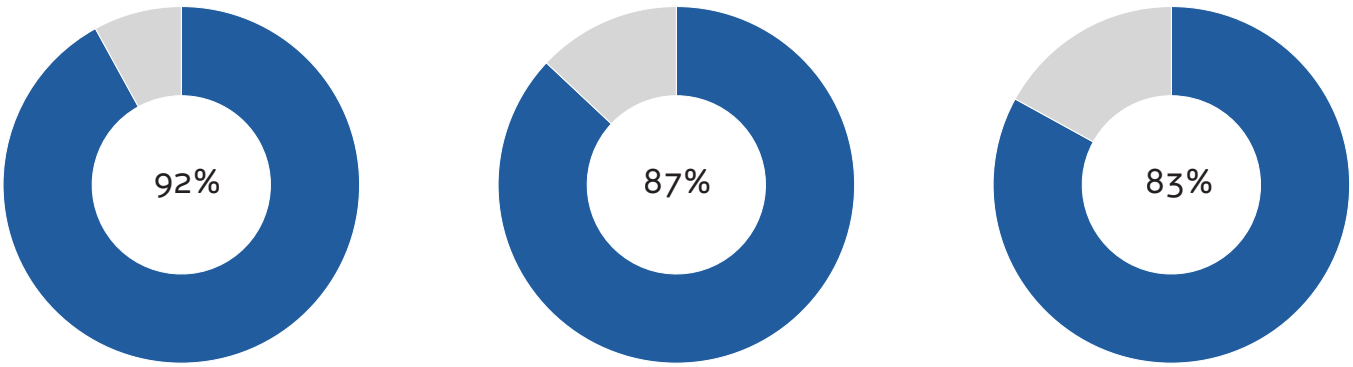
In the recent era, which has been marked by unprecedented technological advancements (most notably the digital revolution), governments across the globe have embarked on transformative journeys, redefining their delivery modes and structures to meet the evolving needs of their citizens. There has been a paradigm shift towards citizen-centricity, spurred by societal expectations, economic challenges, and the relentless pace of technological innovation. This is evident in the massive growth of human-centric social and policy labs across the world[2]

Governments across the world are making significant strides to embrace the digital revolution, with varying degrees of success. Although not all transformation endeavors have been successful, it is safe to say that most key public services have transitioned to online channels in advanced economies and subsequently onto smartphones and digital applications.

In fact, 189 out of 193 United Nations (UN) Member states offer at least one online service – the most prevalent applications being the registration of a new business, applying for a business license, and highlighting government vacancies (offered by 92%, 87% and 83% of UN member states respectively).[3]

Overall, digitalization has had a greater effect on government than the government has had on digitalization. Digitalization has truly changed the way people conduct their daily lives, and governments have had to adapt to the change. Two areas of government operations have been particularly affected by the digital revolution of the past few decades: public administration and service delivery channels. Changes across both these dimensions have paved the way for a more interconnected, efficient, and citizen-focused public sector landscape.

Figure 2
Top online services offered by governments, 2022 (% UN Member states)



Source: Statista

Many of the changes to government organizational configuration were influenced by popular concepts that emerged in the 1990s onwards, such as “New Public Management”, “Agile Government”, and “Government 2.0”. These concepts aimed to incorporate values from the private sector into the structures and cultures of governments, such as efficiency, optimal resource use, accountability, and agility. The digitization of public records and the growing use of big data have provided governments with the potential to plan and operate with greater efficiency and access to information.

A core part of these transformations has been the creation of digital identity systems, such as India's Aadhar, Estonia's Smart-ID, Singapore's SingPass or the United Arab Emirates' UAE Pass. This trend gained momentum, particularly during the COVID-19 pandemic, reaching an increasing number of countries around the world. A notable initiative in this field is the World Bank's Identification for Development (ID4D) Initiative, which aims to help the world's poorest one billion people get a digital ID.

As a result, digital identification systems have become increasingly commonplace and a requirement for the provision and consumption of a wide range of public services.

The prevalence of powerful commercial digital platforms in entertainment, culture, retail, and media industries underscores this urgency — particularly given the ownership of these companies is concentrated in just a few countries. There are a small handful of global players that have become gatekeepers, controlling income streams, influencing access, and holding the power to censor public debate.

Such unchecked influence poses major threats to:

- **Fair play:** A level playing field on which innovation, not the whims of a platform, determines success.
- **National security:** Protecting critical infrastructure and data from foreign vulnerabilities.
- **Privacy:** Safeguarding citizens' personal information and online rights.
- **Equity of access:** Ensuring everyone, regardless of background, has opportunities to thrive in the digital economy.
- **Sovereignty:** Maintaining national autonomy and decision-making power in the digital realm.

Section 2

Government As A Platform

Against this background, the Government as a Platform (GaaP) concept, coined in 2011 by Tim O'Reilly, has gained popularity. Increasingly, governments are recognizing the need to transition from traditional service delivery to a platform-based model. The term Government as a Platform refers to the government ecosystem being housed in one digital center. It encompasses the ecosystem of shared application programming interfaces (APIs) and components, open-standards and canonical datasets, as well as the services built on top of these, and the governance processes that aim to keep the wider system safe and accountable.

Government as a Platform involves redesigning IT infrastructure to establish a central digital platform for seamless service delivery across departments, enhancing interoperability.[4] Cross-government platforms are aimed at breaking down silos, saving money, and transforming public services. In transforming to a GaaP model, various governments have introduced digital service units (such as the United Kingdom's Government Digital Service, Italy's Team per la Trasformazione Digitale, the Canadian Digital Service, or India's Aadhaar). These initiatives are aimed at reshaping services using shared components, APIs, and common datasets, and promise improved efficiency and accessibility for citizens and organizations.

Observing global trends, government platforms typically cater to users in three distinct categories:

1. **The Contained Model:** This involves use that is confined to a specific tier of government, such as exclusive use by an individual state within a federal system or solely by the central government. For example, in the United States (US), Login.gov offers a single-sign-on solution for digital services, specifically tailored to US federal agencies – but is not usable at the state level. It provides a secure and user-friendly way for citizens to access a wide range of government services using a single account. This platform exemplifies the shift towards a more user-centric approach to digital identity, aiming to provide a seamless and consistent experience for users across different government agencies.[5]
2. **The Government Services Model:** This involves platforms that extend across the entire government spectrum and are used by central, municipal, and regional authorities. For example, in the UK, GOV.UK Verify provides a comparable service to Login.gov, but it features additional identity verification levels, and multiple ways in which someone can prove their identity. This is primarily for the UK's central government, but there are trials to extend its use to local government. This platform represents the UK government's efforts to adopt a more system- centric approach to digital identity, focusing on interoperability and collaboration across different government agencies. The platform aims to provide a more secure and reliable way for citizens to access government services, while also streamlining the identity verification process for government agencies.[6]
3. **The All Services Model:** This includes widespread adoption beyond government applications, and encompasses use in banking, third-sector organizations, and commercial enterprises, alongside government use. The most prominent example here is India's Aadhaar identity platform. The platform goes beyond government services and can be applied to activities in the private sector, such as opening bank accounts. Aadhaar is a biometric-based digital identity system that provides a unique identification number to Indian residents. It has been widely adopted by 1.39 billion people across the country (97% of the population) and is used for a range of purposes, including government services, financial transactions, and more. The platform represents a shift from a governmental services platform approach to an "all services" approach.[7] There are plenty of other good examples from around the world, including Singapore's MyInfo, a personal data platform that allows users to automatically fill in digital forms rather than doing so repetitively for each transaction. Another is, Estonia's e-Residency, an entirely digital ID card that allows digital signatures as well as digital authentication (with the latter the legal equivalent to face-to-face authentication).

These examples highlight the diverse approaches to digital government systems and the ongoing evolution towards system-centric approaches.

Section 3

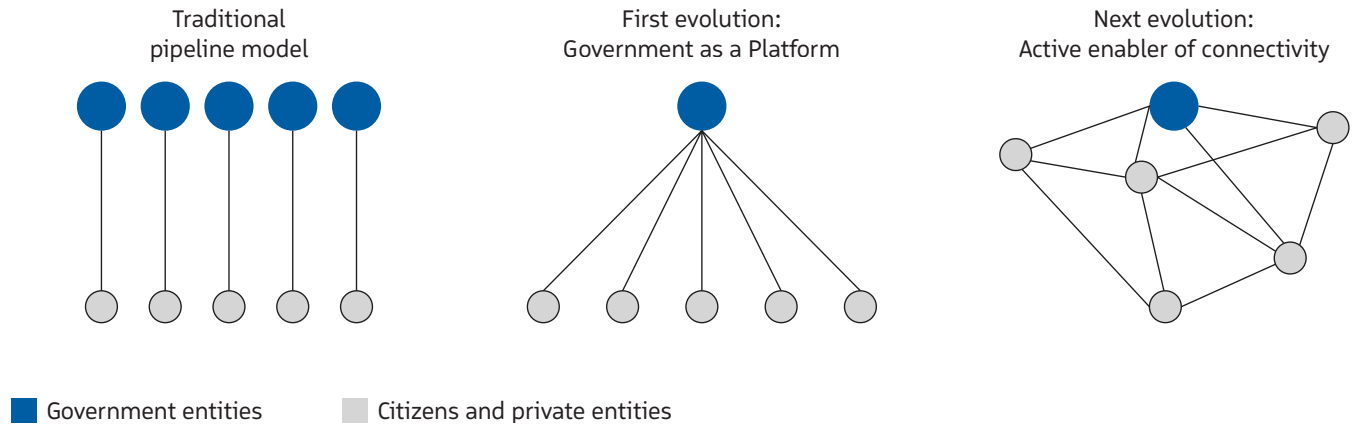
From Users To Systems, And From Pipelines To Platforms

Over the past decade or so, governments have adopted digitalization at a large scale[8], an effort that was rapidly accelerated by the COVID-19 pandemic. The trend has been led by a greater focus on user needs and the onboarding of public services online. The latter has meant a shift from centralized hubs for public services to more distributed points of access to public services via digital mediums.

This means government departments and agencies have meticulously curated and redesigned their service and delivery channels, striving to align with citizens' interests and convenience whenever possible. Across advanced economies, dedicated entities such as innovation and user labs have emerged to map and understand customer journeys and pain points.[9] While these efforts have notably succeeded in simplifying access to government services, the emphasis on user-centricity has, at times, diverted attention from the broader ecosystem surrounding public services. In short, being citizen-centric is not without its drawbacks. The expansive environment within which citizens engage in their daily activities encompasses numerous digital platforms owned and operated by private (often foreign) entities.

The overarching architecture for the transformation has been the pipeline model which is a direct closed line of service delivery between government and users. Even in a Government as a Platform model, government services are designed using a pipeline model where government agencies supply services along a pipeline, with government on one end and the user on the other.

Figure 3
Evolution of government-citizen interaction



Source: Oliver Wyman analysis

The role of government is evolving from a traditional service provider of last resort to an active enabler of connectivity – this involves creating a digital space where it ensures access to services, reliability, privacy, safety, and equity. Its role must not be relegated to a subordinate one in areas of fundamental public interest, such as providing access to shared digital spaces for social, cultural, and economic exchanges.

The role of government needs to evolve from a traditional service provider of last resort to an active enabler of connectivity

Section 4

Drivers Of The Next Government Evolution

In 2023, most global citizens purchase or consume products and services on digital platforms from which government is absent. Whether in Asia, North America, Europe, Africa, or the Middle East, citizens conduct most of their digital affairs via privately owned platforms such as Alibaba, Amazon, Google, X or Facebook. **Regarding this evolution, there is a growing concern that governments are relinquishing their role in managing digital spaces, leading to a reliance on private companies to safeguard citizens' rights and ensure equitable access.** For instance, the American Institute for Behavioral Research and Technology wrote that, "if authorities do not act to curtail the power of Big Tech companies – Google, Facebook [now Meta] and similar companies that might emerge in coming years – then in 2030, democracy might look very much as it does now to the average citizen, but citizens will no longer have much say in who wins elections and how democracies are run".[10]

The public expects the government to have oversight in ensuring fair, secure, and safe access to social media platforms, and this is increasingly at odds with the current reality of private ownership and control. Moreover, the increasing dominance of private digital platforms has transformed trade from publicly owned and managed spaces, such as the Grand Bazaar in Istanbul, to privately controlled online marketplaces, such as the most visited today, Amazon and eBay.[11]

Figure 4
Global most visited online marketplaces, monthly million visits, 2023

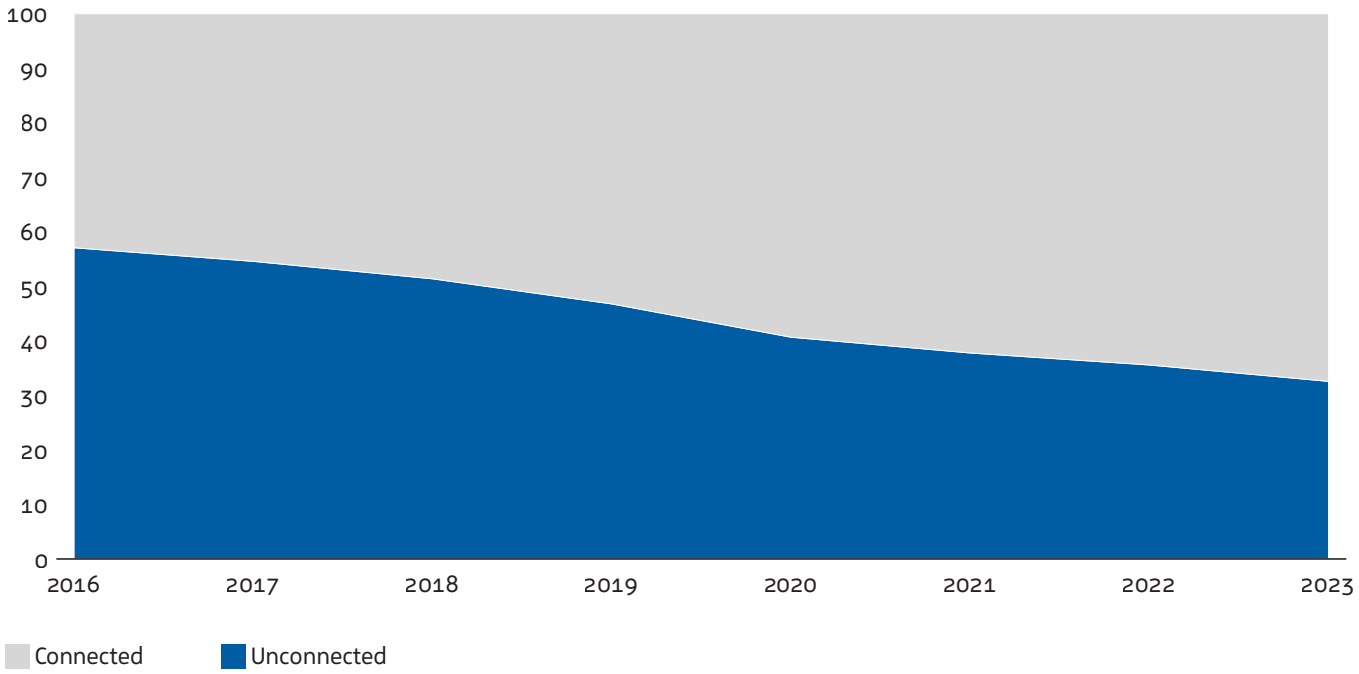
Source: Statista

This shift in control has granted private companies immense power over the flow of information, goods, and services, raising concerns about accountability, transparency, and the potential for abuse of power. Digital is no longer a choice and the urgency for governments to evolve and play a far greater role particularly emanates from the following five pain points:

1. **Digital inequalities:** Around 30% of the world's population is not yet connected to the internet,[12] and within digitally advanced societies, vulnerable populations are often more digitally at risk. Digital inequalities increase vulnerability to things such as the spread of misinformation, privacy concerns, cyberbullying, and algorithmic biases.
2. **Regulatory control and governance issues:** The overreliance governments now have on private entities for critical public services can lead to governance challenges. Private companies primarily driven by profit may not align with the public sector's commitment to serving the public interest. This may mean governments struggle to uphold their end of the digital social contract, which includes securing critical infrastructure, legislating against cybercrime, training, and educating the population around cyber literacy, regulating digital service providers, and ensuring the availability of resources for the digital economy.
3. **Cybersecurity threats and vulnerabilities:** As society migrates into the digital world, the threat of cybercrime becomes an increasing risk across many operations, with a global cost of 7.08 trillion dollars in 2022 (an 83% growth since 2019).[13] The COVID-19 crisis has further emphasized the importance of digital security, as people spend more time online and depend on technological tools, making them more vulnerable to crimes occurring within the cyber space.
4. **Epistemic security problems:** Governments are facing mounting responsibilities to address threats to epistemic security from disinformation, which can undermine the integrity of civic processes and further impact citizen trust in public services.
5. **National sovereignty:** The majority of incumbent digital platforms where the bulk of global social and economic transactions take place online are based in one or two countries, namely the US and China. Because of this, there's an element of lack or loss of national sovereignty over a country's domestic transactions that take place on these platforms. Furthermore, there's an inherent risk of lack of access to these platforms for users in any given country, and these could be caused by geopolitical tensions.

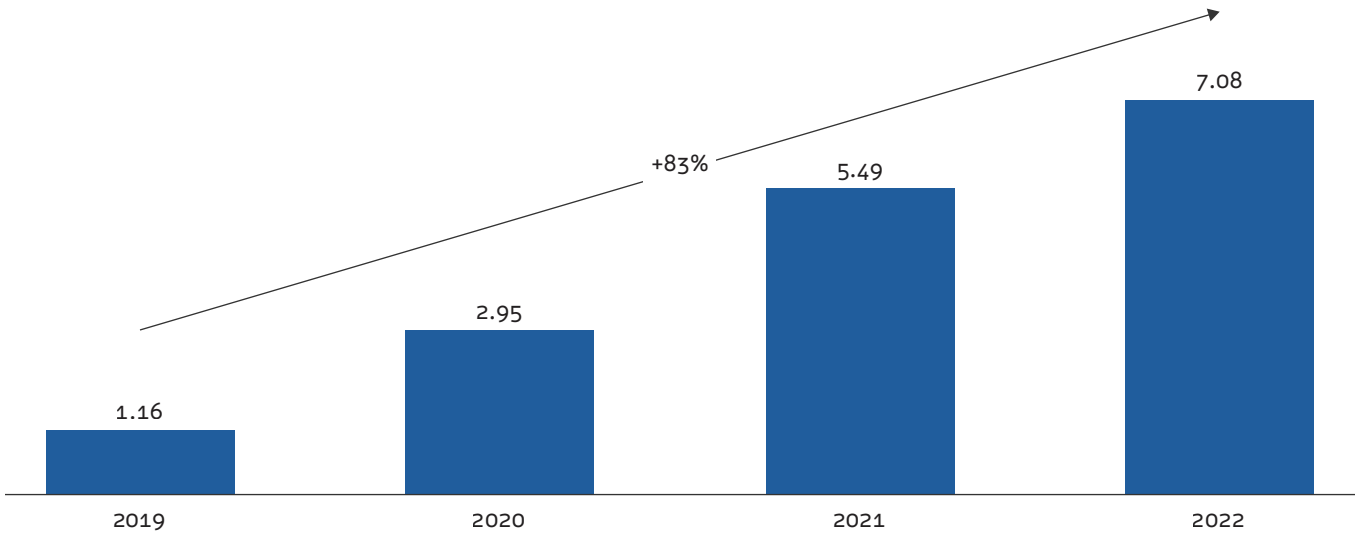
Governments must reassess their role in digital public spaces and develop effective strategies to safeguard citizens' rights, promote equitable access, and ensure that the vast potential of digital technologies are harnessed by governments for the public good. Whether it is hailing a cab or settling a bill, citizens frequently depend on commercial private platforms, whereby the government largely plays only the role of the ex-post regulator. **The increased concentration of social and economic activities into a small number of commercial digital platforms has made it imperative for government to expand and evolve its structure to mimic those of digital platforms.**

Figure 5
Global connected vs unconnected population (% individuals)



Source: ITU, November 2023

Figure 6
Global cost of cybercrime 2019-2022 (Tn$)



Source: Statista

Section 5

How Can The Next Evolution Be Configured?

Governments will naturally evolve in different directions, each affected by their legacies and political traditions. Nevertheless, we postulate three possible trajectories for the future of government vis-à-vis digital platforms.

These roles can be summarized as follows:

- **Role 1 — The Commander:** In the Commander role, the government assumes complete ownership and operational responsibility for digital platforms. It not only initiates their development but also oversees their ongoing maintenance and governance. This approach provides the government with a high level of control over the digital space, ensuring a centralized authority. However, it may come at the cost of increased financial expenditure and potential inefficiencies due to the bureaucratic nature of governmental processes.
- **Role 2 — The Conductor:** The Conductor sees the government taking on the role of an orchestrator that supports in facilitating, connecting, and regulating transactions that occur on digital platforms operated by the private sector. By leveraging the expertise and innovation of private entities, the government aims to enhance efficiency and service quality. This model allows for a balance between public oversight and private sector dynamism, enabling the government to shape the digital landscape without directly owning and operating the platforms.
- **Role 3 — The Convenor:** In the Convenor role, the government acts as a facilitator that brings together various stakeholders to collaboratively own and operate digital platforms. This approach aims to foster a spirit of cooperation among diverse entities, including the public and private sectors. By encouraging joint ownership and cooperation, the government seeks to ensure that digital platforms are designed, implemented, and maintained in a manner that aligns with the broader public interest. The focus is on promoting collaboration, innovation, and responsiveness to the needs of both the government and the public.

This can be achieved through two digital platform models that differ in terms of ownership and control, data security and privacy, and services offered:

1. **Hegemonic model: Digital platforms with full government ownership or oversight**

   A digital platform with full government ownership and oversight represents a centralized approach to managing and delivering public services online. Under this model, the government maintains complete ownership and control over the platform, ensuring a unified and cohesive strategy in its development, deployment, and management. This level of control enables the government to enforce stringent data security and privacy measures, crucial in safeguarding sensitive citizen information against breaches and unauthorized access. The services offered through such a platform are diverse, ranging from essential administrative tasks such as issuing licenses and collecting taxes, to more complex services such as social welfare programs and healthcare management. This model is particularly aligned with roles one and two, detailed in the previous column. The centralized nature of the platform facilitates a streamlined service delivery process, offering citizens a single point of access for various government services, thereby enhancing efficiency and user experience. Moreover, this model allows for better coordination among different government departments, leading to more integrated and holistic provision of services as well as the facilitation of greater accountability and transparency in how services are provided to the public, all the while fostering trust in digital government initiatives.

   Though there are several use cases for this approach, such as Australia's MyGov, South Korea's Government24, or DubaiNow, most of these platforms are aimed primarily at public services. The case against government ownership of commercially oriented platforms is that a digital platform fully owned and controlled by the government can encounter bureaucratic inertia and limited flexibility.

Such inertia and inflexibility can hinder rapid innovation and adaptation to new technologies, potentially leading to outdated or inefficient service offerings. The pre-internet, French state-run Minitel is a good historic example of the failure of government-run platforms to keep up with technological disruptions.

This model may also suffer from limited investment in cutting-edge technologies due to budget constraints and risk-averse culture. Furthermore, government platforms can be plagued by issues of scalability and responsiveness, struggling to meet the diverse and evolving needs of a broad citizen bas.

In terms of data security, while government oversight is rigorous, the concentration of vast amounts of sensitive data into a single entity increases the risk of significant breaches.
In terms of current applications of this model, there are no examples currently where the government oversees everything, but there are some examples that come close, including those that emanated from perceived market-failures of the past. One such example includes the French Pôle Emploi, a governmental agency that runs the largest recruitment and employment services platform in France. It helps job seekers find jobs, but also assists companies in finding and hiring workers. In meeting its objectives, Pôle Emploi relies on more than 1000 commercial recruitment agencies that can post their advertised vacancies directly on the government digital platform. Employers can find candidates with the appropriate qualifications on the site, with links to French and internation.[14]

2. **Archipelago model: Segmented digital platforms with semi-ownership**

   This is a segmented digital platform with semi-government ownership, which can be likened to an archipelago model. It operates under a structure where the government shares ownership and control with other entities, such as private companies or non-governmental organizations.

   This approach allows a specialized focus on specific domains, such as healthcare, education, or transportation, leveraging the expertise and resources of each participating entity. Government oversight ensures that the platform adheres to public policy goals and regulatory requirements, particularly in areas such as data security and privacy. This oversight is critical, as it balances the benefits of the innovative capabilities of private partners with the need to protect sensitive citizen data and maintain user trust.

   In this model, services are tailored to the needs of specific sectors or communities, benefiting from the agility and innovation brought by private partners, while still under observation from governmental bodies to ensure alignment with the broader public interest. This semi-government ownership structure facilitates a more dynamic and responsive service delivery mechanism, capable of adapting to technological advancements and changing citizen expectations. By combining the strengths of both government and private sector partners, this segmented digital platform model can offer efficient, secure, and user- focused services across various domains, contributing to a more effective and diverse digital government ecosystem. In the archipelago model, private sector service providers, including individual citizens, can provide services using platforms that are either owned and operated by governments or owned and operated by private entities but governed by governments.

   This approach alleviates some of the issues with the full ownership model, however it still comes with its own set of challenges.

The involvement of multiple stakeholders with potentially divergent objectives can lead to conflicts regarding priorities, governance, and the allocation of resources.

A good example here is the Open Network for Digital Commerce (ONDC) in Bengaluru, India. Through this initiative, the government sought to help small retailers and create an alternative to dominant global giants like Amazon and Walmart.

This model may struggle with maintaining a consistent user experience and standardization across different segments, leading to confusion and inefficiency for users. Coordination and integration of data and services between segments can be complex, potentially impacting data integrity and interoperability.

Also, while the model allows for innovations through private sector involvement, it raises concerns about data privacy and commercial exploitation of citizen data. Balancing public interest with the profit motives of private partners can be challenging, and there may be increased scrutiny and public skepticism regarding the motives of private entities involved in public service delivery. Additionally, maintaining consistent and robust government oversight across multiple segments can be resource-intensive and complex.

Final Thoughts On The Next Evolution: Towards Hybrid Government

In contemporary society, digital platforms are ubiquitous and unavoidable, even though according to a study by Tufts University's Fletcher School, only about half of the world's users have trust in digital systems.[15] We expect the next evolution of government to take an increasing role in the management of digital platforms, which will increase levels of trust and accountability. A hybrid model that incorporates elements of both centralized and segmented digital platform approaches is the most likely to work. Such a hybrid model will need a design approach that is thoughtful in order to balance the imperatives of efficiency and security with the requirements for innovation and flexibility.

A hybrid model could involve a core government platform that provides essential public services, in addition to several other specialized platforms developed and operated by private companies or non-governmental organizations. These platforms would provide more innovative and tailored services, yet still be subject to some level of government oversight.

Another possible hybrid model could encompass a network of government-owned and operated platforms that collaborate with private companies to deliver services. This model would enable the government to leverage the expertise and resources of the private sector, while maintaining control over the overall direction of the platform.

Regardless of which specific model is adopted, the next evolution of government will need to take on key roles in the provision of the following rules of engagement with the digital space:

Agility: The government must keep up with the expectations of citizens and should match the experience the private sector offers.

Inclusion: The government needs to make sure all individuals and communities, especially those who are traditionally marginalized or underserved, have equitable access to digital services. They must also ensure they have the right skills and opportunities to fully engage with the digital world.

Transparency: The government must ensure transparent, ethical, and safe use of technology and data.

Accountability: The government must ensure that service providers and users remain accountable for its use of technology and data.

Security: The government must continue to strive to protect citizen data from unauthorized access and invasion.

Privacy: The government should respect the privacy of citizens.

Innovation: The government should encourage innovation in the use of technology.

By adhering to these principles, the next evolution of government will help contribute to the creation of a more efficient, effective, and equitable society.

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