Governance 2030. Public Sector (E-)Governance Scenarios

Research Summary

Executive Summary

The debate on the governance reform in Estonia is lacking diversity and offers only a limited spectrum of alternatives. As such, this has led to a massive polarisation of the public opinion, and has made it difficult to find compromises. The debate often focuses on issues of limited importance, such as how many members should the Riigikogu have or whether the President should be elected directly. These issues are not fundamental in ensuring the governance is inclusive, efficient and adapting to changes in the external environment.

The Foresight Centre is suggesting five scenarios for governance and e-Estonia to broaden public the debate and identify important decision making opportunities when directing the future of Estonia. The scenarios highlight the pros and cons of different choices and focus on the crucial dilemmas, ie:

- how inclusive and engaging for citizens is governance;
- to which extent the state intervenes in and guides people's lives;
- how decentralised or centralized is administration;
- how important is the speed of decision-making, or whether the priority is calculating and analytical approaches and comprehensive engagement;
- how extensive is the legitimacy of governance;
- how individualised or universal are the services and solutions offered by the public sector?

Our current understanding may indicate that some of these scenarios are more or less likely depending on specific economic, social, and political contexts. However, these scenarios do allow breaking-up linear logic in thinking about future and widening the view of potential futures of governance digitalisation.

The governance scenarios combine both external and internal factors which may or may not contribute to the realisation of specific scenarios. Fiscal pressures and tough budget constraints limit the range of possible scenarios. However, budget constraint can be both endogenous and exogenous. It can be an outcome of developments in the world economy, reduction in the inflow of structural funds of the European Union, the consequences of Brexit, and a number of other developments that Estonian policy-makers do not control and influence.

At the same time, the budget constraint can be self-imposed and thus endogenous. Policy-makers with certain ideological leanings may become dominant in the policy sphere and hence impose strict limits on public spending and reduce the number of government officials. The bottom line is that scenarios emerge as a result of endogenous and exogenous as well as more and less objective and subjective factors.

Furthermore, endogenous and exogenous drivers of change are constantly interacting. Hence, exogenous drivers also impact endogenously set priorities. Universally best governance models do not exist. The real life developments will quite likely lead to a combination of various scenarios discussed below. However, the use of ideal types in the form of scenarios offers clarity and simplicity which contribute to the understanding of the interaction of key drivers and potential outcomes.

Five scenarios allow us to understand the interplay of different approaches to public sector governance and potential routes to the realisation of different scenarios. The scenarios are specifically meant for policy-makers to broaden their horizons and generate useable, concrete policy solutions for advancing digital governance as well public governance in general. The scenarios serve as a risk assessment tool, as they identify potential bottlenecks in the implementation of policy. Hence, one of the central questions concern the conditions which facilitate certain breakthroughs in governance reforms.

In other words, scenarios are not an end in itself but a tool for citizens, politicians, officials, experts, activists, and other stakeholders for advancing public governance. The real value of scenarios depends

on their use. Will scenarios contribute for a clearer strategy formation in public governance and will they help to generate new ideas for better governance? The fundamental goal is to make governance more agile, equitable, and efficient. This implies that scenarios are normative. They are also provocative. However, all scenarios consist of costs and benefits. Whether the costs exceed benefits or vice versa in the context of specific scenarios depends on the perspective.

Certain current trends may also indicate that the realisation of some scenarios is more probable in the future. Other scenarios are plausible but not probable. Nevertheless, it does not imply that the aim of the exercise is to predict the future. First, predicting or forecasting future developments, especially in the long run, has severe limitations. Hence, it is important to consider not only small variations but fundamentally different developments, which are exogenous. We do not know whether scenario A or scenario B will realise in the future. However, we can comprehend to some degree what are the implications of scenario A and that of scenario B. Scenario planning as a method is about developing alternative, equal scenarios. Most important is to be prepared for different developments.

Second, the realisation of a specific scenario or a combination of scenarios depends on exogenous factors. A precondition for the realisation of certain developments depends priorities set by policy-makers and the mobilisation of resources for that purpose. Certainly, this is a necessary but not a sufficient condition. Unintended consequences stemming from uncertainty may undermine the best plans. The road to hell is paved with good intentions.

Nevertheless, there are certain benefits of a pro-active approach to policy-making compared to a reactive or fatalist state of mind. It is about mental models which are prepared for the emergence of new external environments. Having considered different scenarios should contribute to a policy space

which is more adoptive and adaptive to changes. The following discussion highlights the nature of different scenarios and implications of digitalisation.

Ad Hoc governance

This scenario combines strong budget constraint and centralised and fast decision-making processes. The budget constraint implies either a need to cut public sector spending because of external or internal developments or a dominant ideological position among decision-makers that public sector governance must be managed within limited financial resources. The scenario is characterised by top-down fast decision-making to overcome economic crisis and exploit emerging new opportunities. Budget constraint also implies the privatisation of public services in some areas, which implies that the government does not have sufficient leverage to change the situation in every area.

Citizens may benefit from this scenario as long as the government's priorities match their own priorities. However, they are left out of decision-making processes, as it would imply a significant slow-down. Citizens also have deal with the uneven delivery of public services, where some services advance more rapidly, while others do not receive enough attention and deteriorate as a result of resource constraints. The number of dissatisfied citizens may grow as a result of suboptimal services and inappropriate government priorities. The scenario may become a self-fulfilling prophecy, where dissatisfaction with the limited involvement of citizens feeds into the need to keep decision-making centralised, as policy-makers are afraid of opening up a so-called Genie's bottle.

Digitalisation is valued in this scenario, as it allows cutting costs and starting new projects. It facilitates improvements in service delivery, collecting data for policy-making as well as directing citizens to needed services, and reacting to changing circumstances. As budget imposes significant constraints and decision-making is centralised, the ad hoc gov-

ernance scenario implies that most services are standardised and special circumstances are rarely considered. Standardisation implies a so-called forced digitalisation, where the use of digital services might be only option. On an ad hoc basis, some areas will receive special attention and these pet projects will be developed differently.

Government will prioritise the use of big data, but as the approach is not systematic, many institutional barriers do not allow the exploitation of the benefits. The use of open data does not receive sufficient systemic attention, which implies a deterioration in comparison with other countries. The combination of data from different public and private sources is possible in some areas but not in some other areas. The government does not see the whole picture in its data policy by focusing in some areas but ignoring others. The digital identity use of the government in different services will increase but unevenly. Various private and public sector digital identities will emerge and many citizens will rely increasingly on private sector solutions.

Night-watchman State

This scenario combines strong budget constraint and centralised and analytical decision-making processes. The underlying aim is to reduce the role of state in many areas and focus on the areas where state intervention and provision of services is absolutely necessary. The government will cut expenditure, reduce the number of public sector employees, and privatise services. The scenario implies that a systemic framework will be created for the governance of public sector, where the limited role of government intervention in the private sector and in the lives of individuals is the key priority.

Citizens will have considerable freedom in directing their lives, but their opportunities to become involved in public sector decision-making processes are limited to the elections. Access to public education and health will be limited. The scenario also implies that the government's response to substantial changes in external environments, such as environmental, geopolitical, and economic, will be limited because of a narrow policy-making perspec-

tive and small public administration capacity. At the same time, the dominant fiscal prudence may allow reacting properly to some external economic shocks, such as a global financial crisis.

On the one hand, digitalisation is valued in this scenario, as it allows cutting costs and reducing bureaucracy. On the other hand, several barriers will be created for digitalisation because of privacy and security concerns. The minimalist government is worried about data collection, as it might enhance government intervention in the lives of individuals and in the private sector.

As cost-cutting is a key driver of digitalisation, it would imply a high degree of standardisation and universal basic solutions. The lack of customised solutions which consider specific needs may lead to dissatisfied users. The use of open and big data is not advanced sufficiently. The barriers stem from institutional factors, as the government is concerned about the misuse of data. A combination of different public and private sector databases is mired in complexity or is impossible. The use of a government-issued digital identity is limited because of privacy and security concerns. An increasing number of citizens rely on private solutions, including those provided by global digital platforms from the United States and China.

Entrepreneurial State

This scenario combines fast, centralised decision-making under generous budget constraints. The flexibility with resources allows the government to invest more in service delivery as well as in large projects, often in the form of Public Private Partnerships (PPP). The government will behave as a large enterprise by developing and investing into some key priority areas. The government's mission is to enhance economic development and improve the country's position in the international division of labour.

The risks involve the overinvestment of public funds in failed projects, which will become so-called white elephants. Radical external shocks may impose severe budget constraints, which, in turn, may mean the activation of an 'ad hoc governance' scenario

instead of the entrepreneurial state. This scenario is also sensitive to changes in the government as well as in the quality and strategic agility of the top management of the government.

Digitalisation plays a fundamental role in this scenario, as it allows collecting data, offering better services, and enhancing anticipatory policy-making. As government spending is generous and fast decision-making is appreciated, digitalisation can occur rapidly in many areas. However, government priorities imply that some areas receive more funding than others, which will lead to uneven outcomes. Overinvestment and misallocation of investments may also lead to failures in large scale projects.

The use of big and open data is highly encouraged by breaking down the so-called silos among agencies. Government designs policies for a combination of different public and private databases. The government's mission is not only to focus on domestic projects but to enhance digital data projects globally to understand trends and developments world-wide. This means active cooperation with international organisations and private and public sector actors.

One of the key priorities is to develop further the digital identity issued by the Estonian government by offering solutions globally. The government prioritises e-residency as a global digital platform, as through this platform, other Estonian public sector platforms can be diffused to other countries.

Caretaker State

This scenario combines a generous budget constraint and centralised and analytical decision-making processes. Improved living standards and economic development means an increased demand for high-quality public services. The government aims to meet this demand by increasing social spending and employing more officials. The main mission of the government is to improve the well-being of its citizens. For these purposes, the government intervenes in many areas of life, protects people from evils and ills, and regulates different economic and social activities.

Citizens benefit from good access to high quality services in education and health-care. At the same time, their ability to shape public governance is limited. Government intervention in private lives may create the feeling that citizens live in a police state. The focus on current issues to citizen's wellbeing may also imply that the government may lack capacity to deal with large-scale strategic challenges, particularly in the external environment.

Digitalization plays an important role in this scenario, as it allows collecting data, offering better services, directing citizens towards better choices, and enhancing anticipatory policy-making. As the government spending is generous and analytical decision-making is appreciated, digitalization will occur evenly in different areas. However, technological lock-in and path-dependence may lead to difficulties in adopting solutions in some areas.

The use of big data use is encouraged by breaking down the so-called silos among agencies. The government designs policies for combining different public databases. However, the government is reluctant to cooperate with the private sector in this field because of risks and security concerns. The government does not encourage open data projects for the same reason. Instead of offering public data to the private sector, the government designs incentives and regulations for ensuring access to private sector data.

The government's mission is to focus on domestic services and not to enhance global digital data projects which carry unknown risks. This implies that one of the key priorities is to develop further a digital identity for domestic users issued by the Estonian government. E-residency as a global digital platform will be closed down, as domestic online service delivery may suffer from new risks and the overcrowding of platforms.

Networked governance

This scenario combines a generous budget constraint and de-centralised and analytical decision-making processes. The government aims to involve citizens in decision-making processes and

public service delivery through co-creation. For these purposes, decisions are made in bottom-up fashion, closest to citizens, and without unnecessary bureaucracy.

Citizens benefit from opportunities to become involved in policy-making as well as in service delivery. Their ability to shape public governance is visible and actual. At same time, it offers more opportunities for active citizens than passive. Areas with stronger social capital may benefit more than areas with limited ability to cooperate. Government spending may not be able to reduce the gap.

Digitalisation plays an important role in this scenario, as it allows collecting data, offering better services, and involving citizens in policy-making. As government spending is generous, but decentralised decision-making is appreciated, digitalisation will occur unevenly in different areas. Different governance models will emerge in digital projects, where some rely more on the public sector, while others engage the private sector and volunteers.

In this scenario, a direct trade-off between efficiency and equity may not be present if the increasing number of digital platforms in governance allows for a greater use of the co-creation of public services by citizens. It is based on the assumption that open government data is made available and its use is encouraged. The use of big and open data as well as the combination of different public and private databases is highly encouraged. However, many different models will emerge in their use. A digital identity and e-residency will be developed further by involving numerous stakeholders from the public and private sector.

The following table summarises the key points concerning governance and digitalisation in five scenarios. ■

Table 2. Summary of five governance scenarios.

	Ad Hoc governance	Night-watchman State	Entrepreneurial State	Caretaker State	Networked governance
Citizen	Uneven services	Standardized basic services. Extensive degree of freedom for guiding life	High-quality services in priority areas	Uniformly high level of services, the state intervenes in daily life of citizens	Can participate in decision-making processes. Diverse services
Central government	Role increases on priority issues	Role increases, but only in limited areas	Significant growth and strategic project initiation	Systemic, detailed, and intervening central government	Role decreases. Decisions are sub-delegated
Riigikogu	The Riigikogu plays a modest role, except in some strategic issues	The number of members and funding of the Riigikogu are significantly cut	Riigikogu's importance decreases for decision-making purposes	Funding increases and decisions are legitimized as speech parliament	The Riigikogu role increases and it becomes working assembly that engages citizens
Local governments	The role of local governments and fiscal autonomy diminish	Fiscal autonomy decreases and aggregates them to cut costs	The role of local governments decreases, with the exception of Tallinn and Tartu, which will be included in strategic projects	Actual significance does not change, although importance is formally emphasized	Fiscal autonomy increases and local governments become important in local decision-making and engagement
Large scale projects	Both the implementation potential as well as state funding grows	Private sector projects are promoted, but the role of the state is not to participate in them	Very important. State funding and support grow	They are not a priority and can harm the citizens' living environment	Diverse interests make it impossible to implement them
Services	Provision of services becomes more efficient and new solutions are being tested	A common base in certain areas and the privatization of services	Priority services, e.g., education are developed. Others receive less attention	Emphasis on broad-based quality enhancement	Services are diversified and the variety of providers grows
Adaptability	Smaller changes can be easily implemented, strategy component can remain low	Inertia is low, but the ability to meet the strategic challenges is low	Rather high, but depends on government's credibility	Low. Strong link to existing services and procedures	Broad, consensual, but slow
Digitization	The emphasis is on cost savings, but some areas are developed as a priority, while others are ignored.	Digitization is important for reducing bureaucracy, but is limited to ensure excessive guidance or interference by the state	Digitization grows. Strategic areas are developed as a priority	Extremely important, since it can provide better services and data helps to develop pre-emptive policies	Diverse promotion of digitization for service provision and engagement, with different administration models

Source: Author.