Digital Innovation, State Effectiveness, and Development
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By almost any measure, digital innovation has been accelerating. The number of internet users globally has increased dramatically in the last decade, up from 10% in 2000 to over 40% today[1]. According to a UN estimate, more people have access to mobile phones compared to proper sanitation. What this pace of change means for states and how they take advantage of the corresponding opportunities and challenges will likely have a direct connection to their success in this century.

The key questions for states to consider are:

- How has greater access to information changed citizens' expectations of their governments?
- How has digital innovation changed what it means for states to be responsive to citizens?
- What do states need to do to respond better to their citizens? What are the appropriate roles for government in setting conditions for their citizens to navigate a digital world?
- For developing and fragile states in particular, what are the specific challenges and opportunities? Can those states leapfrog the timelines of other states' digital development?
- How can the broader development community best support states' (in particular fragile states') adaptation to the digital world going forward?

ISE has launched the Digital Discovery Series to consider the implications of digital innovation for states, markets, and citizens. The following is a summary of the first roundtable in the series. The first roundtable focused on how digital solutions could enhance resilience of states, and improve service delivery for key services (e.g. infrastructure, health, identity cards) and thereby help tackle development challenges.

How has digital innovation shifted the strategic landscape?

Digital innovation has had a significant impact on policy and political issues. Digital transformation has dismantled borders in some cases, and made them irrelevant in others. Many governments and state institutions have not evolved sufficiently to address the scope of disruptions from digital innovation. The rate of change of the digital landscape has outpaced states, affecting the ability of citizens to respond to government and thereby lowering trust.

How states are responding to digital disruption: citizen-centered design
Some countries have evolved to keep pace with or even anticipate digital innovation. Those countries with the most startling successes have kept citizens at the heart of their design. An example in this area is Estonia. Having regained independence in the 1990s, Estonia was faced with crumbling infrastructure and fiscal constraints. The country's leadership decided to digitize as many government services as possible, largely as a cost-saving measure. The two key ingredients were a compulsory identification card for all citizens and a system for connecting decentralized government databases and providing data protocols.

[1] http://data.worldbank.org/indicator/IT.NET.USER.ZS

Today, 98% of citizens submit their taxes online, which takes an average of 3 minutes to do. The efficiency savings of having services delivered online has been calculated to be 2-3% of Estonia's total GDP. This roughly equates to the annual amount of GDP that Estonia spend on its military. Therefore, the Estonian government has essentially used these efficiency savings to pay for its national security.

Public trust in this citizen-centered system is high. For example, the proportion of e-voters has grown year on year. Public trust in Estonian institutions is on average 20 percentage points higher than the EU/US average. Key to this outcome is that Estonian citizens own their own data and are able to see when any government agency or department accesses it for any reason. In this way, citizens are given full visibility of government's actions and are kept at the center of the design.

Some principles of a citizen-center design program have included:

- By keeping citizens at the center of the design of services, rather than focusing on the needs of the government, the state can focus on the needs of the citizen;
- Digital services need to be so good that people will choose to use them over traditional methods;
- Putting citizens at front and center illuminated the fact that citizens do not need any particular government department, but that they need whole-of-government delivery. Ministries and departments must work together to deliver effective services; and
- Often the re-alignment of service delivery will require a civil service reform program, to realign civil service capacity and build new capabilities.

Adaptation in the developing world and the development community

Developing countries face particular challenges and opportunities to adapting to digital innovation. Challenges include corruption, poverty, under-development, and poor management of limited resources. How best can developing countries harness digital innovation to promote development outcomes and economic growth as they transition to middle-income countries?

Here, government leaders have an opportunity to create the foundations for relating to citizens in new ways, and in turn, the international development community should adapt their support. There are a number of potentially groundbreaking innovations:

- Learning from the experiences of India, Estonia, the UK's Government Digital Service and other countries' recent experiences with building the basis for digital government, to understand what steps can and should be taken in which order, in their particular context.
- Increasingly adopting a "platform" approach by working to align demand and supply issues. For example, providing voter education information at scale working with a national election commission to facilitate the posting of candidates' platforms and campaign statements online. With a "platform", rather than a project, approach, external development actors assist in aligning demand and supply and build the core infrastructure that facilitates further locally driven innovation.
- Considering more deeply the interface between citizens and states and how digital innovations are changing that interface. Innovations such as conversational interfaces on websites, chat bots, and chat windows will affect how citizens experience and receive services from their government. Having these interfaces voice-based, rather than text-based, is already changing service delivery. For example, the City of London now processes appeals of parking tickets via a voice-based application rather than via paper forms. This has resulted in a higher number of appeals filed and granted. The proliferation of voice-based digital interfaces could have ramifications for how the development community thinks about literacy promotion and education in the developing world.
- Using new tools—such as blockchain—to fight corruption and help ensure public institutions are working for the public interest. At its core, blockchain is a secure archival record that cannot be altered. It has potential uses, including storing national land titles in order to regularize land

possession; facilitating mobile voting; tracking remittances; registering “smart” labor contracts; and making welfare payments.

As with innovations in any field, these need to be piloted, studied, and analyzed, but the principles of citizen-centered design can serve to guide future efforts to bolster state responsiveness and effectiveness.