The Art of Digitalization: A Dive into e-Estonia

Dr. Stephane Remy
Antoine Barde

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The Art of Digitalization

A Dive into e-Estonia

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The Art of Digitalization: A Dive into e-Estonia

Dr. Stephane Remy Antoine Barde wrote this publication.

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PREFACE

The P-Insights, short for "Productivity Insights," is an extension of the Productivity Talk (P-Talk) series, which is a flagship program under the APO Secretariat's digital information initiative. Born out of both necessity and creativity under the prolonged COVID-19 pandemic, the interactive, livestreamed P-Talks bring practitioners, experts, policymakers, and ordinary citizens from all walks of life with a passion for productivity to share their experience, views, and practical tips on productivity improvement.

With speakers from every corner of the world, the P-Talks effectively convey productivity information to APO member countries and beyond. However, it was recognized that many of the P-Talk speakers had much more to offer beyond the 60-minute presentations and Q&A sessions that are the hallmarks of the series. To take full advantage of their broad knowledge and expertise, some were invited to elaborate on their P-Talks, resulting in this publication. It is hoped that the P-Insights will give readers a deeper understanding of the practices and applications of productivity as they are evolving during the pandemic and being adapted to meet different needs in the anticipated new normal.

INTRODUCTION

Current Estonia

Estonia, a northern European nation, encompasses an area of 45,330 square kilometers and had a population of approximately 1.33 million as of 2021. The country boasts a high Human Development Index (HDI) rating of 0.899, reflecting its significant achievements in life expectancy, education, and per capita income. Economically, Estonia has a GDP per capita of USD32,460, placing it 36th globally, indicative of its robust economic performance and standard of living [1].

Estonia's current status as a digital pioneer comes from a strategic emphasis on technological advances and innovation. The nation's commitment to digitalization has profoundly impacted various sectors, particularly in enhancing public services, boosting economic growth, and improving the overall quality of life for its citizens. The e-Estonia initiative, a comprehensive digital transformation project, has positioned the country as a global leader in digital governance and innovation [1].

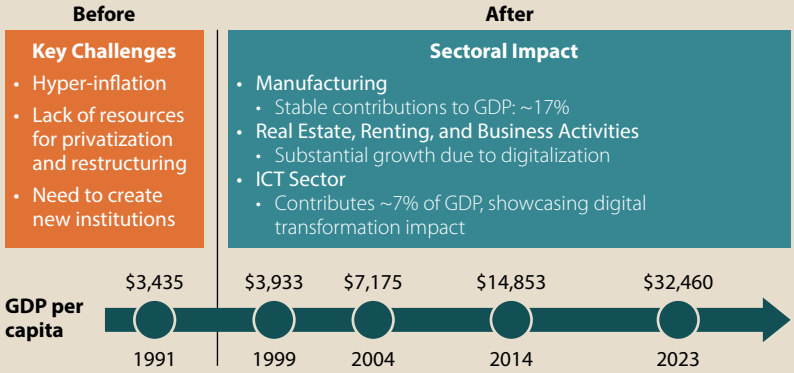
Modernization of Estonia

Estonia's journey of modernization began following its restoration of independence from the Soviet Union in 1991. The transition period was marked by significant economic challenges, including hyperinflation, lack of resources for privatization, and the need to create new institutional frameworks. Despite these hurdles, Estonia saw an opportunity in adversity and embarked on a path of comprehensive technological modernization. In the early 1990s, Estonia faced the daunting task of building a new technological infrastructure from scratch, largely relying on outdated Soviet-era systems. With less than 50% of the population having access to telephones, the Estonian government made a pivotal decision to leapfrog from analog to digital technology, declining an offer for an old analog telephone exchange system from Finland in favor of a digital future. This strategic choice led to the rapid adoption of mobile phones and other digital technologies, bypassing intermediate analog technologies entirely [1–4].

Key initiatives such as the Tiger Leap project, launched in the late 1990s, focused on developing the nation's technological capabilities with a special emphasis on the education sector. By 1997, 97% of Estonian schools were connected to the internet, laying the groundwork for a digitally literate population. Public–private partnerships (PPPs) played a crucial role in this transformation, enabling sustainable growth and rapid technological adoption. As a result of these efforts, Estonia witnessed substantial economic growth. The GDP per capita, which was a mere USD3,435 in 1991, surged to USD32,460 by 2023. The digital transformation of various sectors, including manufacturing, real estate, renting, business activities, and the ICT sector, contributed significantly to this economic prosperity. For instance, the ICT sector now contributes approximately 7% of Estonia's GDP, underscoring the profound impact of digitalization on the nation's economy [1–4], as summarized in Fig. 1.

FIGURE 1

IMPACT OF e-ESTONIA INITIATIVES.



HISTORY

Modernization Period: Opportunity in Adversity

The modernization of Estonia following its independence in 1991 is a narrative of turning challenges into opportunities through strategic decision-making and technological foresight. After gaining independence from the Soviet Union, Estonia faced numerous economic and infrastructural challenges. The nation had to transition from a Soviet legacy infrastructure, which was predominantly outdated, to a modern, efficient, digital framework. One of the initial significant challenges was the inadequacy of the existing technological infrastructure. Less than 50% of the population had access to telephones, and the infrastructure that was available was largely based on obsolete Soviet-era technology. Estonia had to build a new tech infrastructure with limited resources, requiring innovative, cost-effective solutions. A pivotal moment in Estonia's technological leap was the decision to reject an offer from Finland for an old analog telephone exchange system. Instead, Estonia opted to pursue a digital future, focusing on the rapid adoption of digital technologies. This bold decision led to the widespread adoption of cell phones, allowing Estonia to bypass intermediate analog technologies and move directly into the digital age [1–4].

The Tiger Leap project, initiated in the mid-1990s, exemplified Estonia's strategic approach to modernization. This project aimed at comprehensive technological development and network expansion, with a special focus on the education sector. By 1997, an impressive 97% of Estonian schools were connected to the internet, laying a strong foundation for a digitally literate population and workforce. The modernization period also saw substantial economic growth despite the initial hurdles. Estonia's GDP per capita grew from USD3,435 in 1991 to USD32,460 by 2023. This growth was driven by the digital transformation of various sectors, including manufacturing, real estate, and the ICT sector. The manufacturing sector maintained a stable contribution to GDP, while real estate and business activities experienced substantial growth due to digitalization. The ICT sector emerged as a key contributor to the economy, accounting for around 7% of GDP and showcasing the impact of Estonia's digital transformation [1–4].

Strength of Public–private Partnerships

The strength and success of Estonia's modernization can be largely attributed to the effective utilization of PPPs. These partnerships became a foundation of Estonia's strategy to overcome resource limitations and accelerate technological and economic development. PPPs in Estonia involve collaborative ventures between the government and the private sector. These ventures leveraged private financing for public projects, drawing revenue from taxpayers and users. This model proved to be crucial in enabling rapid, sustainable growth, particularly in the technology sector. One of the most notable examples of a successful PPP in Estonia is the Tiger Leap project. This initiative, aimed at transforming the educational and technological landscape, benefited immensely from the collaboration between the government and private-sector entities. The project's focus on connecting schools to the internet and integrating digital tools into the education system was achieved through the combined efforts and resources of both public and private stakeholders [3, 4].

The role of PPPs extended beyond just financing and resource mobilization. These partnerships facilitated the exchange of expertise, innovation, and best practices between the public and private sectors. The collaborative efforts ensured that technological solutions were not only effectively implemented but also continually improved and adapted to meet the evolving needs of the population. Furthermore, PPPs played a critical role in the broader digital transformation of Estonia. They enabled the development and deployment of digital infrastructure and services that were essential for economic growth and social development. From building secure, efficient digital government services to fostering a vibrant startup ecosystem, PPPs were instrumental in realizing Estonia's vision of a digital society.

e-ESTONIA

Big Picture

The e-Estonia initiative represents a bold, comprehensive vision for a digitally empowered society, driven by three foundational pillars that ensure the security, efficiency, and interoperability of digital services. Central to this initiative is X-Road, the backbone of e-Estonia, which facilitates secure, seamless data exchange across various platforms and services.

Three Pillars

Estonia's digital government framework is built upon three critical pillars that together create a robust and secure environment for digital interactions.

Confidentiality ensures that information is accessible only to those authorized to access it. Advanced cryptographic measures, digital signatures, and multifactor authentication mechanisms are implemented to protect data from unauthorized access and tampering. These security protocols are designed to instill confidence among citizens and businesses in the reliability of digital services.

Availability ensures that digital services are accessible and functional whenever needed, with minimal downtime. Citizens and businesses can access government services at any time. For example, they can file taxes, vote, or access health records online, ensuring that essential services are always available.

Integrity ensures that the data and systems are trustworthy, unaltered, and accurate. Systems are designed to ensure that the data remain accurate and consistent. Strong authentication mechanisms (like the Estonian ID card, mobile ID, and Smart ID) ensure that only authorized users can access or modify data.

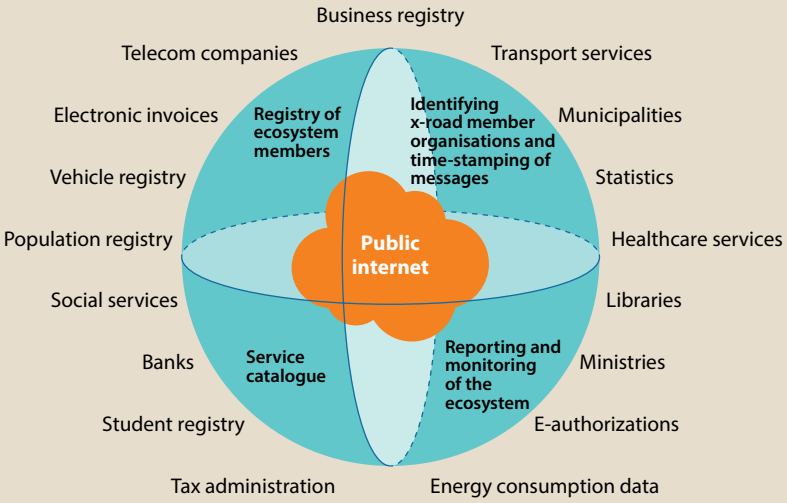
X-Road: The Backbone of e-Estonia

At the heart of e-Estonia's digital infrastructure lies X-Road, an advanced, secure data exchange layer that enables interoperability between various information systems, as presented in Fig. 2. X-Road is a baseline technology

that underpins many of Estonia's digital services, providing a secure, efficient means of data exchange.

FIGURE 2

OVERVIEW OF THE X-ROAD SYSTEM. REPRODUCED WITH PERMISSION FROM X-ROAD [5].



X-Road facilitates the efficient delivery of public services by enabling secure data exchange between government agencies. This interoperability allows for streamlined processes and improved access to services for citizens. Its capability to securely exchange data across borders has been instrumental in enhancing international cooperation. For example, Estonia has integrated its X-Road platform with Finland's, enabling seamless cross-border services in areas such as healthcare, taxation, and business registration. By automating and streamlining data exchanges, X-Road significantly reduces the time and effort required to access and process information. This efficiency translates into cost savings and improved service delivery. The secure, traceable nature of data exchanges through X-Road enhances transparency in public administration. Citizens can have greater confidence in the integrity of government processes and services.

The efficiencies gained from using X-Road have led to substantial cost savings for both the government and private sector. By reducing administrative burdens

and eliminating redundant processes, resources can be allocated more effectively. X-Road has not only transformed digital services within Estonia but has also set a global standard for secure data exchange. Estonia's experience with X-Road has been shared internationally, serving as a model for other countries looking to implement similar systems. The platform's success has paved the way for deeper European integration and international collaborations in digital governance [5].

e-Estonia Key Services

Estonia's digital transformation has revolutionized public administration and citizen engagement through a range of key services. Notable examples include the e-tax system and X-Road data exchange platform, highlighting efficiency and innovation. Additionally, i-Voting and the e-Health portal showcase the practical benefits of e-Estonia's digital initiatives. The country's entrepreneurial environment is bolstered by services like e-Residency and a thriving startup ecosystem, promoting economic growth and global business integration. Further pushing the boundaries of digital innovation, Estonia has introduced initiatives such as the data embassy, Burokratt, and the national AI service Kratt, emphasizing digital resilience and seamless government interaction.

e-Tax

The e-tax system in Estonia represents a groundbreaking advance in tax administration, streamlining the process for both citizens and businesses. The system allows for the quick, efficient management of tax-related activities, significantly reducing the time and effort required for compliance. The e-tax system is seamlessly integrated with Estonia's digital ID infrastructure, allowing users to securely access the service and complete their tax filings online. Leveraging automated data collection, the system provides prefilled tax forms that require minimal input from users. This feature simplifies the tax filing process, making it accessible and user-friendly. With the digital ID and prefilled forms, the time to file taxes is drastically reduced. On average, it takes just three minutes for individuals to complete their tax returns. The e-tax system applies to all types of taxes, including income, corporate, and value-added taxes. This comprehensive coverage ensures that all tax obligations can be managed through a single platform [6].

The implementation of the e-tax system has significantly reduced the time businesses spend on tax compliance. In Estonia, companies spend approximately five hours per year on corporate income tax compliance, compared with an average of 42 hours in other OECD countries. The efficiency gains from the e-tax system translate into substantial economic benefits. It is estimated that the use of electronic signatures alone saves Estonia about 2% of its GDP annually by increasing productivity and reducing administrative burdens [6]. The e-tax system employs advanced security measures, including encryption and digital signatures, to ensure the confidentiality and integrity of taxpayer information. By providing a secure, reliable platform, the e-tax system enhances transparency in tax administration. Citizens can trust that their data are handled securely and that the tax process is fair and efficient.

i-Voting

i-Voting is one of Estonia's most notable digital achievements, reflecting the country's commitment to leveraging technology for democratic engagement. Since its introduction, i-Voting has made the electoral process more accessible and convenient for citizens, solidifying Estonia's reputation as a pioneer in digital democracy. i-Voting allows citizens to cast their votes from any location with internet access, making it possible for expatriates and those unable to visit polling stations to participate in elections. The system offers flexibility in voting by enabling voters to change their vote multiple times within the voting period, with only the last vote being counted. This feature ensures that voters have ample opportunity to make informed decisions. i-Voting employs robust security measures, including encryption and digital signatures, to ensure the integrity and confidentiality of votes. These measures protect against tampering and unauthorized access. The process is designed to be transparent and verifiable, instilling confidence among citizens in the accuracy and fairness of the election results.

i-Voting has seen increasing adoption among Estonian voters. In the 2023 parliamentary elections, 51% of votes were cast using i-Voting, demonstrating significant public trust and reliance on the system [6]. Estonia remains the first and only country to offer nationwide i-Voting for parliamentary elections, setting a precedent for other nations exploring digital voting solutions.

e-Health Portal

The e-Health portal is a comprehensive digital platform that integrates various healthcare services, providing a unified system for managing and accessing

health-related information. This portal exemplifies Estonia's approach to leveraging digital solutions for enhancing public health and medical services. The portal centralizes patients' health records, making them accessible to authorized healthcare providers across the country. This integration ensures that medical histories, treatments, and other critical information are readily available, improving the quality and coordination of care. Patients can receive and manage their prescriptions electronically through the e-Health portal. This feature streamlines the prescription process, reducing the need for physical paperwork and minimizing errors. The system supports emergency medical services by providing real-time access to patients' health data during emergencies. This immediate access can be crucial for delivering timely, effective medical interventions. The portal includes features that support personalized medicine, such as a biobank with 200,000 donors. This resource aids in research and the development of individualized treatment plans based on genetic information and other personal health data [6].

By digitizing health records and processes, the e-Health portal reduces administrative burdens and improves the efficiency of healthcare delivery. Patients experience quicker, more streamlined interactions with healthcare providers. The portal empowers patients by giving them access to their health information and management tools. This transparency encourages patient engagement and proactive health management. The seamless exchange of health information among providers enhances care coordination, reducing the risk of redundant tests and procedures and ensuring continuity of care. The e-Health portal employs stringent data protection measures to safeguard patient information. These include encryption, access controls, and regular audits to ensure compliance with privacy standards. The system's transparency and secure design foster trust among patients and healthcare providers, ensuring that sensitive health data are handled with the utmost care and integrity.

Ease of Doing Business: e-Residency

The e-Residency program is a pioneering initiative that allows non-Estonians to access Estonia's digital infrastructure and conduct business globally as e-residents. This service is a testament to Estonia's commitment to fostering an open, inclusive digital economy. e-Residency provides a digital identity issued by the Estonian government, allowing e-residents to access a wide range of Estonian e-services from anywhere in the world. e-Residents can establish and manage businesses online without the need to be physically present in Estonia.

This includes registering a company, opening a bank account, and filing taxes. The streamlined digital processes enable quick, hassle-free business operations. It takes less than three hours to start a company, and e-taxation is paperless and efficient, ranked #1 in the International Tax Competitiveness Index (2022) [6, 7].

The e-Residency program has attracted over 100,000 e-residents from more than 170 countries, establishing over 25,000 companies and contributing significantly to the Estonian economy with over €32 million in taxes [6]. By lowering barriers to entry, e-Residency encourages global entrepreneurship and innovation, allowing individuals from around the world to benefit from Estonia's advanced digital infrastructure and business-friendly environment. The e-Residency program includes robust security measures such as digital signatures and encryption to ensure the integrity and confidentiality of digital identities and transactions. e-Residents and their businesses are subject to Estonian laws and regulations, ensuring compliance and maintaining the integrity of the program.

Estonian Startup Ecosystem

Estonia's startup ecosystem is among the most vibrant and dynamic in Europe, characterized by a high number of startups per capita and a supportive environment that fosters innovation and growth. Estonia provides a favorable environment for startups through policies that support innovation, ease of doing business, and access to a global market. With over 1,400 startups and 10 unicorns, Estonia has the highest number of startups per capita in Europe. This density creates a vibrant community that stimulates collaboration and knowledge sharing. Since 2010, Estonian startups have raised around €3.5 billion in funding, demonstrating strong investor confidence and the availability of financial resources to support entrepreneurial ventures. The Estonian government, along with private-sector initiatives, provides various forms of support to startups, including financial incentives, incubator programs, and mentoring [6].

The advanced digital infrastructure, including services like e-Residency and X-Road, provides startups with the tools they need to operate efficiently and scale globally. Estonia's integration into the global digital economy through initiatives like e-Residency and cross-border data exchange facilitates international business operations and attracts global talent. Estonia is home to

several high-profile startups and unicorns, such as Skype, TransferWise (now Wise), and Bolt, which have achieved significant success and recognition on the global stage. Estonia's capital, Tallinn, and other cities host numerous innovation hubs and co-working spaces that foster a collaborative, supportive environment for startups.

Digital Continuity of Estonia as a State: Data Embassy

The concept of a data embassy is a pioneering initiative by Estonia to ensure the digital continuity and security of the state's critical data. This innovative approach involves storing essential government data in secure, offshore locations, providing a robust backup in case of national emergencies. Estonia's first data embassy is located in Luxembourg, hosting critical government data with the highest level of security. The data are stored in an environment that meets stringent security standards to protect against physical threats and cyberthreats. The data embassy ensures that Estonia maintains control over its data even when stored abroad. This sovereignty is crucial for the country's digital independence and resilience. The data embassy concept is designed to safeguard strategically important datasets, ensuring that essential government functions can continue uninterrupted in the event of a crisis.

Burokratt: Virtual Assistant for Government Services

Burokratt is Estonia's virtual assistant designed to provide citizens with seamless access to government services. This AI-driven tool represents a significant step toward making public administration more user-friendly and efficient. Burokratt operates around the clock, providing citizens with access to government services and information at any time. The virtual assistant is accessible through multiple channels, including chat, SMS, email, phone, and voice assistants, ensuring that users can interact with the government in the way that best suits them. Burokratt integrates various government services into a single interface, allowing users to handle multiple administrative tasks in one place. This integration simplifies processes and improves the user experience [6]. By automating routine inquiries and tasks, Burokratt reduces the workload on human agents, allowing them to focus on more complex issues. This efficiency leads to faster response times and improved service delivery. Burokratt empowers citizens by providing them with easy access to information and services, enhancing transparency and user satisfaction.

Kratt: National AI Service

Kratt is Estonia's ambitious national AI service aimed at integrating AI into public administration to enhance service delivery and operational efficiency. Kratt is developed through a collaborative effort between the government and private sector, leveraging expertise and resources from both sides. The service encompasses over 50 use cases in the public sector, demonstrating the wide-ranging applications of AI in government services [6]. Kratt is built on an open-source platform, making it adaptable and continuously improvable. This openness fosters innovation and allows for the integration of new AI technologies and solutions.

Kratt enables the government to provide proactive services, anticipating citizens' needs and delivering solutions before issues arise. This approach enhances the efficiency and responsiveness of public administration. Kratt supports Estonia's vision of seamless cross-border digital governance, facilitating collaboration and data exchange with other countries. The AI capabilities of Kratt are used to develop personalized services, including tailored healthcare solutions, which improve the quality and effectiveness of public services. Kratt incorporates stringent data privacy measures to ensure that citizens' information is protected and used ethically. These measures build trust and confidence in the AI service. The use of open-source technology and transparent algorithms ensures that Kratt's operations are understandable and accountable to the public.

CASE STUDIES: PUBLIC SERVICE

Estonia's digital transformation has been driven by innovative projects and collaborations that showcase the potential of technology to enhance public services. This section highlights notable case studies that demonstrate how Estonia has leveraged digital solutions to improve educational services, respond to crises, and foster PPPs.

Clanbeat is an educational technology company that supports student self-directed learning, problem-solving, and emotional well-being. During the COVID-19 pandemic, Clanbeat played a pivotal role in helping Estonian schools transition to online learning [6, 8].

Clanbeat created a virtual space for teachers to collaborate, share resources, and support each other. This innovation empowered educators to adapt quickly to remote teaching environments. The company developed a virtual classroom platform that facilitated communication between students and teachers, managed tasks, and supported self-directed learning. This platform ensured continuity in education despite school closures. Clanbeat's tools emphasized the importance of students' emotional health, providing resources and support to help them navigate the challenges of remote learning. The solutions provided by Clanbeat enabled schools to transition smoothly to online learning, minimizing disruption and maintaining educational standards. By offering a collaborative space for teachers, Clanbeat fostered a sense of community and shared purpose among educators, enhancing their ability to support students effectively [8].

Estonia's strength in education lies in its openness to innovation and collaboration with the private sector. This mindset has been instrumental in the development of advanced educational e-services. The development of educational e-services in Estonia often involves collaboration with private-sector companies. This partnership approach has led to the creation of effective and user-friendly digital tools. One notable example is the widespread use of privately managed e-diaries in 95% of Estonian schools. These digital tools streamline administrative processes, enhance communication between teachers and parents, and provide students with easy access to their academic records.

The integration of digital tools has significantly reduced administrative burdens on teachers and school staff, allowing them to focus more on teaching and student support. Digital tools like e-diaries provide a comprehensive overview of students' progress, enabling more personalized, effective teaching strategies.

eKool is a web-based school management tool that streamlines educational processes through early involvement of the private sector. It serves as a unified platform for grading, messaging, and sharing study materials, tailored to meet regional needs [9]. eKool offers a comprehensive view of students' academic progress, attendance, and behavior, accessible to teachers, parents, and educational authorities. This transparency fosters better communication and collaboration among all stakeholders. By providing a centralized platform for managing educational activities, eKool enhances the learning experience for students and keeps parents informed and engaged in their children's education.

The platform is tailored to address the specific needs of different regions, ensuring that it remains relevant and effective across diverse educational contexts. eKool's integration of various educational processes into a single platform reduces redundancy and increases efficiency in school management. The transparency and accessibility of eKool encourage greater parental involvement in their children's education, which has been shown to positively impact student outcomes.

CONCLUSION

Estonia's journey in digital transformation offers valuable insights for other countries aiming to enhance their public services through technology. The experience underscores the importance of bold, digital-minded leadership in driving successful transformation. Collaboration between the government and private sector proves essential for leveraging expertise, resources, and innovation, while transparency in digital services fosters trust and confidence among citizens. Shared digital platforms are pivotal in accelerating service implementation and improving efficiency, and fully utilizing digital infrastructure benefits all stakeholders, enhancing the overall effectiveness of public services. An open-source approach fosters innovation and continuous improvement, while adopting a startup mentality within public administration promotes agility and responsiveness. Additionally, prioritizing security measures is crucial for maintaining the integrity and trustworthiness of digital services.

The case studies of Clanbeat, educational e-services, and eKool illustrate Estonia's innovative approach to public service delivery. By embracing digital solutions and fostering strong PPPs, Estonia has created a resilient, efficient public service ecosystem that serves as a model for other nations.

To enhance digital governance and productivity, APO member countries can draw valuable lessons from Estonia's digital transformation journey. First and foremost, Estonia's success was driven by strong political will and leadership commitment, with a clear vision and long-term strategy ensuring that digital initiatives were prioritized and adequately funded. A robust legal and regulatory framework, including data protection laws and alignment with EU regulations, played a crucial role in securing citizen trust and standardizing digital services. A key strategy was the implementation of a universal digital identity infrastructure, which facilitated secure access to a wide range of services for both citizens and businesses. This system was effectively integrated with public and private services, enhancing its utility and adoption. Additionally, Estonia's X-Road platform exemplifies the importance of interoperability and seamless data exchange, with standardized formats and protocols enabling efficient communication among various government systems.

Cybersecurity was another critical focus, with advanced measures like blockchain technology and the establishment of a National CERT to protect digital services from cyberthreats. PPPs were also instrumental, leveraging private-sector expertise through collaborative development and innovation hubs.

Estonia's citizen-centric approach prioritized user-friendly digital services and incorporated continuous feedback mechanisms to refine and improve those services. Digital literacy and education were emphasized through comprehensive programs, ensuring that citizens possessed the necessary skills to participate in the digital economy. Inclusivity and accessibility were addressed by ensuring nationwide broadband access and developing policies that cater to disadvantaged groups, ensuring that digital transformation benefits all. Continuous improvement and innovation were encouraged through agile governance, R&D, and fostering a culture of experimentation.

Finally, Estonia's commitment to cross-border cooperation, through international collaborations and participation in EU programs, facilitated the sharing of best practices and the development of interoperable solutions. These strategies collectively offer a roadmap for APO member economies to enhance their own digital governance and productivity.

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LIST OF FIGURES

ABOUT THE AUTHOR

Dr. Stephane Remy Antoine Barde
Assistant Professor
Industrial & Management Engineering
Hanyang University
Republic of Korea

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