



2020 Global Blockchain Survey | Deloitte Insights

Governance for government

Consortium model creates new paradigm for blockchain adoption

The US government faces unique challenges when it comes to exploring blockchain, piloting test cases, and implementing solutions. While the path to implementation may be clear for the private sector, for government agencies, distributed peer-to-peer constructs intrinsic to blockchain are often affected by the complex politics of cross-agency engagement and information-sharing. This requires a new approach.

The importance of blockchain is clear. According to [Deloitte's 2020 Global Blockchain Survey](#), 68% of government respondents indicated that blockchain would be a strategic priority in the next two years. For the government to effectively adopt blockchain, change is required. We believe that a new business model can help modernize current agency thinking about blockchain policies and regulations. First, agencies must continue to educate themselves about emerging distributed ledger technologies (DLT) such as blockchain, their capabilities, and the value they can drive. And second, the federal government needs a centralized hub to establish a new paradigm for this business model. This could take shape as an association of government champions and stakeholders whose mission is to help agencies grow beyond their individual interests to focus on the bigger picture.



Government as the regulator, the regulated, and blockchain technology consumers

The government is uniquely positioned as the regulator, the regulated, and a blockchain consumer. As the regulator, government agencies are either regulating digital assets or the processes that are migrated to blockchain-based solutions (e.g., food safety and cryptocurrencies). When the government is being regulated, they, too, must abide by some regulations and mandates to which the commercial industry is not subject (e.g., FedRAMP and Section 508). As consumers, government agencies can employ blockchain to realize its operational efficiencies. As a result of the multiple hats government agencies wear, they can appear to be out of step with their business-world counterparts.

Even so, agencies are generally moving the needle between three stages of blockchain adoption: explore, experiment, and implement. In fact, most government survey respondents believe that blockchain is broadly scalable and will eventually achieve mainstream adoption.

While some agencies might be unwilling or unable to take the risk, others are beginning their exploration. Some agencies are finding success by experimenting with the underlying technologies, while others, like the Department of Health and Human Services (HHS), have already adopted solutions.

Despite their varying levels of blockchain adoption, government agencies often struggle because it's not always easy to share with other agencies—even though there is much to be gained through data-sharing—and they lack system interoperability necessary for potential operational efficiencies. This is, in part, due to how they're funded, how their policies are set, cultural differences among agencies, and how departments or agencies are subdivided.

For example, aligning disparate agencies to share information on a public-facing service can take months to hash out legal issues (e.g., liability or IP ownership), which often creates impractical results for all involved.

Because blockchain and other DLT are peer-to-peer, value is achieved through network effects, which means that an ecosystem must be created to succeed. Commercial and industry often have an association or create a joint venture or other legal entity that acts as a trusted, centralized authority and serves as the uniting factor for the ecosystem.

This is not currently an option for the government, which can't just decide to form a joint venture with other departments—for example, Treasury, HHS, and Housing and Urban Development (HUD). So, how should the government begin to address the need for a new business model that supports collectively deciding governance, policies, mandates, standards, budgeting, and risk tolerance?

Similar to industry, there needs to be a coalescing force that has the ability and the authority to set guidelines and policy moving forward. The Digital Taxonomy Act and the American Compete Act, which emerged from the Committee on Energy and Commerce in the House of Representatives, look to grant authority to the Department of Commerce to research blockchain solutions. We believe that this authority should expand the agency's mission to formally establish the office to serve as the centralizing location with authority to more broadly oversee government blockchain adoption.

One model that the new office could follow is that of the Joint Artificial Intelligence Center in the Department of Defense (DoD). It was established to help “operationally prepare” DoD for artificial intelligence (AI) and its possible government applications. Creating a similar prototype for distributed ledger technology could help manage some of the larger policy, decision-making, and regulatory questions relating to government adopting blockchain-based solutions.



Key takeaways

Government thinking around blockchain is evolving. Agencies should continue to educate themselves about and explore the underlying capabilities and value that can be derived from blockchain. This can't happen overnight or in a vacuum. The government, especially at the federal level, must work toward the creation of a centralized hub of well-defined government champions to establish a paradigm for a new peer-to-peer engagement model. This must advance beyond simply assessing, reviewing, and recommending blockchain use cases.

Steady progress is already apparent. Some 60% of government survey respondents note they have already brought blockchain into production. Additionally, the formation of a government office to support policy implementation and governance can help agencies form or participate in consortia and help test the feasibility of new DLT ecosystems. Expanding the mandate of this office can help deliver a more robust and sustainable blockchain adoption template for other government agencies. This can't happen through reassignment or new legislation alone, but a centralized office offers a positive sign of future government commitment to blockchain.

In the end, the high level of coordination that a central office brings can give government agencies a clear path forward with the right agency representatives and help develop sustainable governance for government to embrace this new technology.

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