



More can be done for decentralised policy processes through the use of Web 3.0 technologies such as blockchain. PHOTO: PIXABAY

# Governance in a Web 3.0 future

As a smart nation, Singapore needs to explore new and digitally-enabled ways to enhance its policy processes and foster social cohesiveness. **BY WOO JUN JIE AND R AVINASH**

WITH the turn of the year comes the promise of spring. Yet in the digital asset space, the “crypto winter” is far from abating. Faced with hackings and high-profile platform failures, investors have largely stayed away from the digital asset space.

This has led to views that it is not just cryptocurrency, but decentralised finance (DeFi) as a whole that is going into decline. However, there are also others who are much more bullish about DeFi projects, which use cryptocurrencies to manage financial transactions such as borrowing and lending.

Regardless of where one stands on this issue, there is no doubt that DeFi protocols such as blockchains – online distributed ledgers – bring immense potential for peer-to-peer transactions and collaboration.

Can decentralisation bring forth new solutions and possibilities for governing businesses and societies?

## Decentralisation

Decentralisation, as we would like to define it, is the capacity for independent decision-making and self-regulation without the need for centralised authority or intervention. It is the creation of self-governing ecosystems that allow for more efficient and accurate decision-making by key stakeholders.

Decentralised systems are meant to bypass or eradicate unnecessary bureaucratic red tape so that consensus-fuelled actions based on mutual trust can take place. In public policy, decentralisation has long been going on under what is known as the “New Public Management” movement.

This has typically involved the creation of decentralisation public agencies that are granted significant autonomy in policy implementation. In Singapore, our statutory boards represent one such example of decentralisation, having been granted a significant extent of organisational autonomy and flexibility to help them carry out strategic policy tasks.

A decentralised system therefore reinforces central policymaking capabilities by delegating policy tasks and responsibilities to decentralised entities so that greater efficiency can be achieved.

Beyond New Public Management, however, much more can be done for decentralised

policy processes through the use of Web 3.0 technologies such as blockchain.

A blockchain is essentially a distributed public ledger that is hosted on an online network, with data recorded in “blocks” that can be viewed and accessed by all members of the network. This allows for transparent information sharing, as users can confirm transactions independently without a central clearing authority.

It is therefore not surprising that blockchain would form the foundation for digital asset transactions, since crypto players can verify the creation and trade of a digital token simply by monitoring the blockchain.

Beyond digital assets, the blockchain holds much potential for other business and public applications. A good example of this would be the distribution and verification of information such as certificates, ledgers, and documents.

For instance, the Accounting and Corporate Regulatory Authority uses blockchain technology in its TrustBar platform to allow the public to authenticate companies’ information and certificates. This allows for a more transparent and efficient way to verify corporate information.

To take our argument yet another step further, we should also consider the role of Decentralised Autonomous Organisations (DAOs) in public service delivery. DAOs are collectively-owned organisations that make decisions through member voting on the blockchain.

In a way, DAOs resemble cooperatives that are typically set up to provide for the needs of their members. A good example of a cooperative is NTUC Fairprice, with a social mission to moderate the cost of living in Singapore.

Like co-operatives, DAOs can facilitate self-governance and help channel resources across different sectors of societies.

For instance, The Great Wave is a Singaporean DAO that was set up by a collective of musicians to fund artistic work by their members. Through verified transactions on the blockchain, artistes are able to sell their work and receive payments instantaneously.

There is also a deeply social aspect of DAOs. By facilitating transparent and verified transactions, DAOs can facilitate trust

and help foster a sense of identity among their members.

## From decentralisation to decentralised governance

With the demise of optimism surrounding crypto, it is easy to see why decentralisation through Web 3.0 protocols may be treated with scepticism. However, much of this scepticism is often misplaced.

In reality, the crashes that precipitated the crypto winter were a result of centralised systems with rather opaque and complicated rules that facilitated unstable competition with key stakeholders. A lack of regulatory safeguards meant that crypto players could move assets around without understanding the risks associated with what they were doing. This was encouraged and facilitated by centralised exchanges like FTX that stood to profit from the increased competition.

Hence it was centralisation, not decentralisation, that led to the collapse of the likes of FTX. Decentralisation, done right, combines strong regulation with blockchain to create platforms that can be used to spearhead developments and facilitate social coordination.

Being consensus-based, the blockchain contains its own system of checks and balances and is perfectly capable of creating self-contained ecosystems that follow the same logic as real-world communities. The distributed and transparent nature of blockchain also helps facilitate trust among members.

In other words, blockchain can facilitate decentralised governance. As Singapore continues to grow as a smart nation, it will need to find new and digitally-enabled ways to enhance its policy processes and foster social cohesiveness.

Whether through DAOs or government-owned Web 3.0 protocols, decentralised modes of organisational and social governance can help optimise public sector resources and foster social trust among citizens, firms and grassroots-level entities.

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