

Confronting the Governance Gap – Before, After and Beyond COVID-19

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The COVID-19 crisis has put the strengths and weaknesses of governments around the world into sharp relief. In their immediate responses to the crisis, governments are being judged by the degree to which they protect and provide for their citizens. But critical tests lie beyond this immediate response phase. Governments will be judged by how they balance protection of people and the economy while the virus persists, the kind of recovery they enable, and how they put forward protections in place to prevent either a resurgence of COVID-19 or any other mass biologic threat. Further, this crisis will see new relationships between the state, citizen and market emerge that will likely define our society for generations ahead.

For the past decade, governments across the world have [steadily been losing their citizens' trust](#). Just in the last year, we have seen people on the streets in Chile, France, Lebanon, Iraq and Hong Kong protesting a lack of jobs, services and opportunities. At ISE, we seek to understand the “State Effectiveness Gap” between citizen needs and expectations and the state’s ability to deliver, and we assess it against a framework of the ten most critical state functions, among which are healthcare provision and forming and executing economic policy. Crises often expose the dimensions of this gap by laying bare where the system is performing well, where it is weak and its degree of resilience. In today’s crisis, this gap is not an abstraction, as it can mean loss of life or livelihood for vast populations. Lack of preparedness, including deficiencies in stockpiling emergency supplies and shortcomings in health information systems, are just two of these gaps in the public health system. Those countries that invested in resilience, preparedness and good supply chain management seem to be faring better.

For the first time in decades, publics appear to be on the same page regarding what they need from their governments. In countries everywhere, governments are being judged according to how well they mobilize front line health services to save lives, slow the spread of the virus, enable testing and mobilize and support the scientific community to find a vaccination and cure. There is a renewed appreciation of our public health systems, and the web of public

and private infrastructures that ensure continuity in the supply of food, water, housing, electricity and communications. We are also witnessing a rare universal consensus on the need for the state to move rapidly to use its balance sheet to backstop the economy.

LESSONS IN RECOVERY

Sequencing is crucial

Decision-making and communication will be under continuous scrutiny

Stimulus should manage uncertainty but also set the foundation for future growth and recovery

Pay attention to worst-hit areas and the most vulnerable

Recovery requires strong accountability and transparency

Decisions should be coordinated across multiple levels of government

Management of the “new normal” and recovery are whole-of-society efforts

How Governments Can Prepare for a New Normal – And Recovery

As the maximum point of danger passes, the challenge for governments everywhere will be to restart cities and begin to restore social life, economic life and public services, while managing risk of exposure while the virus is still in circulation and likely to come back in waves. People want to be together, and there will be

strong pressures to restart the economy, but governments will be responsible for keeping people safe as social and economic life resumes.

Unlike a shock event such as a hurricane or earthquake, there will not be a neat transition point to a recovery phase, but rather a move from crisis point to living with the disease, until we reach the finish line for a cure and a vaccine. A range of economic support and recovery tools will be needed to support people, organizations, supply chains and the economy, from both the direct effects of COVID-19 and the indirect effects, including the recession from putting the economy into lockdown. A few lessons can be taken from previous disaster recoveries and the recovery from the 2008-2009 financial crisis.

First, **sequencing is crucial.** Decision-makers must make difficult — and unenviable — tradeoffs. When is it safe to end lockdowns? When can different sectors — workplaces, schools and transportation — resume normal operations? Which services can and should continue to be delivered remotely? What level of financial support should workers and firms continue to receive? To what extent will societies and their governments accept there will be winners and losers in the marketplace? What expenditures can be deferred to future years, so as to create fiscal space for today's expenditures? Decision-makers will need to build a consensus around answers to these questions so they can rally public and private sectors around implementation.

Second, **how governments make and communicate decisions will be under continuous scrutiny.** Later, there will be reviews of governments across the world for their decisions taken and not taken and hopefully, attention to lessons learned. For now, transparency with health data is imperative. As people will rely on information to navigate their neighborhoods and plan their next moves, establishing timely and trusted sources of data will be vital.

Third, **stimulus packages should be designed first for managing through the period of uncertainty and then to set the foundations for future recovery and growth.** Initial support is going to individuals and firms, and needs to be guided by principles of fairness and need. At the same time, investments should be targeted for **preserving crucial parts of the value and supply chain** for essential needs of the population, such as food and medical supplies and engineering components for critical infrastructure. We will see new forms of regional groupings develop as neighboring countries collaborate and recast their supply lines.

Many countries will choose to apply funding to infrastructure and public works programs. A key lesson from the 2008-2009 crisis is not just to fund “shovel ready” infrastructure projects, but to **identify and invest in those projects that are likely to underwrite a next phase of growth and the base of the economy to come.** Canada

and Singapore took this route and bounced back quickly from the 2008-2009 crisis. Canada's 2009 Economic Action Plan focused on renewing the science and research base, greener infrastructure and reskilling the workforce, while Singapore's plan enhanced firm competitiveness with tax credits for investment in research and development for export-focused companies and provided investment in worker skills, grants to upgrade industry sector norms and standards and invested in infrastructure. While industrial policy is a “no-go” concept in some countries, thinking about how trillions of stimulus dollars can serve long-term growth and development is only common sense.

Fourth, decision-makers should **pay special attention to the worst hit areas and to the most vulnerable groups of people.** The crisis will affect different regions and segments of the populations in each country differently, and decision-makers will need rapid and iterative ways to identify them as the dynamics change. The EU's structural and cohesion funds are one example of how to address the needs of vulnerable groups in a fair manner, where funds were channeled to the poorer parts of Europe, including for skills training, and upgrading transport links and social services. Philanthropy and civic organizations should collaborate to focus on these areas and groups, such as the collaboration among U.S. foundations on Detroit's post-financial crisis recovery. Getting funding directly to individuals is harder than it sounds, and advanced and developing countries alike will need to find fast and accountable ways to ensure checks reach intended individuals without bureaucratic hurdles or leakages. Creativity will be needed in social safety net programs, including the use of community grants, food distribution and online access to support and training.

Fifth, the recovery phase will also require **strong measures for transparency and accountability in how recovery funds are disbursed, as well as transparency in the real picture of the health recovery.** In the aftermath of disaster recovery, the public rightly asks, “Where did the money go?” and governments — at all levels, from federal to municipal and local — must be ready to be held to account. The [Hurricane Sandy Relief Tracker](#), rolled out in New York and New Jersey, tracked the billions of dollars in hurricane relief. Funds were geographically coded and can be filtered by a variety of dimensions including managing agency and project category (housing reconstruction, facilities, roads, etc.). The [Recovery Aceh Nias Database](#) was launched in Aceh, Indonesia in 2005. Information about the project design, planned and actual outputs, and physical progress allowed for greater transparency between the numerous actors and various streams of funding.

Sixth, decisions will need to be **coordinated across multiple levels of government.** It is not just the government in the capital city, but the mayors, state leaders, and district leaders whose actions will

count. Who is entitled to make which decisions, and who needs to coordinate with whom, will be open to tensions and revisions, as we have seen as different U.S. state governors have taken different approaches to preempting and interpreting White House guidance. Governments need the ability to coordinate rapidly across levels of government and with the private sector and civic groups for joined-up responses, to cut red tape, set incentives appropriately, and get resources to the right place. In the gaps and seams in this coordination, lives are lost.

Seventh, **management of the “new normal” and recovery are whole-of-society efforts.** Citizens are mobilizing to take care of their families and neighbors and communities are working together to take care of their own neighborhoods and to coordinate with others. Philanthropy and civic organizations are already stepping up to work with local communities. Across the world, large-scale community development programs, from Morocco and India to Colombia and the United States, have deep trust and reach in the community and can be effective platforms for channeling grants and organizing activities. An “asset map,” which identifies the assets of a community from skillsets to financial resources and infrastructure, rather than a “needs assessment” which only identifies the gaps, can help decision-makers to build on existing initiatives and mobilize capability where it already exists. Many companies, albeit under pressure, have great assets to bring to the table and are both leading in their sectors and communities and thinking ahead to how they can contribute.

In cases of fragile state environments where the virus spreads, underfunded health systems will likely reach a breaking point. In countries where the majority are poor and rely on daily work to survive, the trade-off between lockdown and the need to keep the economy going provides a grim choice. In many cases, a weaker revenue base and the likely decline in aid budgets constrain the possibility of expanding the safety net. A bold package from the International Monetary Fund (IMF), the World Bank and donor countries will be needed to stave off the vast suffering of people and economic collapse. Response packages will have to strike a careful balance between shoring up health services, protecting relief for the most vulnerable and boosting the countries’ economies to help get them back on their feet.

Preparing for New Expectations Between Citizens, States and Markets

Beyond the recovery phase, we must anticipate public demand to re-think how the state can better serve its citizens. Many commentators are already claiming that the growth in the reach of the state will not easily be rolled back. These fears are to some extent ill-placed; the government will simply not be able to afford to continue checks for individuals and business support (that are currently underwriting jobs,

production and the fiscal base) in the same way, as revenues fall. But citizens will come out of this crisis with different expectations of the state and market. In moments of crisis – particularly after wars, pandemics and depressions – the social compact comes up for negotiation. We will likely see robust public discussions on how tax dollars translate into public value, and new models for the relationship between the state, citizen and market.

In every era, a different function comes to the fore, and today public health systems, the shape of the safety net, and information and decision responsibilities of governments loom particularly large. This comes on the heel of dramatic changes to the shape of the labor market with advances in technology. While the shape of the state and its compact with the public are likely to continue to vary across the world, several universal elements will bear close and serious attention.

First, **people want to be protected and will demand greater investments and innovations in health systems.** The public is likely to demand more clinics and hospitals, investment in more equipment and better preparedness, including pre-positioning supplies, health information systems and pandemic warning systems. The 1918-1919 flu pandemic galvanized significant changes in the public health sector. Countries which had lacked organizational capacity to fight the pandemic established health ministries, consolidated public health reporting systems, and established an international organization to coordinate on pandemics. Post-Ebola, affected countries in West Africa focused on building resilient health systems, including community health platforms.

Much of the investment will be in national health systems within countries, but there will need to be a serious look at the kind of international cooperation required in the future for pandemic early warning, including trusted mechanisms for monitoring, reporting and validation and information systems and response. Thought should be given to more investment in medical research, especially on infectious diseases and establishing better cooperative arrangements. This will require a post-mortem on which parts of these coordination mechanisms worked well and which did not.

Beyond health, other essential services are long overdue for organizational re-thinking and new forms of working and communicating will likely be required. We will continue to see new ways that private and civic actors can innovate and work with the public sector to advance innovation and fill gaps, from online education to community volunteering. This year’s emergency innovations in remote delivery of education, telemedicine, and telework will give societies the option to do more remotely and will accelerate the pressure on governments and companies to make greater use of digital platforms for public services. Governments

should seize this opportunity to allow citizens to access health, education and other services online – services that used to require travel, parking and waiting in line.

Rightly, there will be calls in many countries to pay higher wages to front line workers, from nurses and teachers to trash collectors. Public authorities will need to find fair ways to assess and measure value. At the same time, budgets will be under pressure and there will be a rise in the cost of delivery in key public services, known as “[cost disease](#)” – whereby in the United States, a unit of health, education or construction of infrastructure increases by factors of two to ten depending on the sector, even adjusted for inflation. This issue warrants careful consideration to figure out how greater numbers of people can have access to essential services at more reasonable costs.

Second, in many countries, **the frailty of the safety net has been exposed and will lead to calls to alter the shape of the social contract** – with accompanying redistributive struggles as to who should pay for them. How countries will respond to demands to strengthen their safety net, and how the costs of the crisis will be shared across segments of societies will be hotly contested, especially as savings and pensions have taken a hit. With shifts in the nature of work, calls for the introduction of a universal basic income are shifting to the mainstream. Spain is already moving to implement a “permanent basic income,” [described by its social security minister](#) to “represent a permanent safety net for the most vulnerable.”

Third, both **citizens and states will have new expectations of the market**. There are already growing expectations that companies have an obligation to society beyond their bottom line. How will the balance be struck between public and private ownership of patents, when public funds and private assets were comingled in the race to a vaccine? Citizens will likely value different goods and services and forward-thinking companies will anticipate this. How should the state use its role to invest in, and set standards and incentives for this future economy? Leaders in the public and private sector could be using this time to think ahead to the requirements of the future workforce and be preparing for a different set of human capital investments. How far will countries pull back from globalization, with governments, citizens and firms seeing a new rationale in localizing their supply chains?

Fourth, **citizenship rights and responsibilities have been through a radical disruption and will not revert to the previous state everywhere**. As technology usage continues to expand, societies will have robust debates about how to balance the utility of tracking with the value of privacy and guarding against the surveillance state. States everywhere have amassed emergency powers, including abrogating the right to free assembly and commerce, and some may not roll these changes back easily. The establishment of the practice of debt financing after World War I is one example.

Fifth, across the world, **there will rightly be calls for more investment in foresight mechanisms and preparedness for catastrophes, from weather events to pandemics**. Prevention is notoriously hard to invest in, given the near impossibility of measuring

NEW EXPECTATIONS



Demand will increase for investments and innovations in health systems



The frailty of the safety net will lead to calls to alter the shape of the social contract



Citizens and states will have new expectations of the market



Severely affected developing countries will face new demands from young citizens



Citizenship rights and responsibilities will not revert to the previous state



There will be calls for investment in crisis foresight mechanisms and preparedness

benefits that accrue from an event averted, but this moment should be seized to make the necessary long-term commitments, including for pandemic prevention and monitoring.

Sixth, but not least, **severely affected developing countries, without the same monetary and fiscal instruments of OECD countries, will face new demands from their young populations,**

including for the provision of basic services and an economic recovery. Forming functioning states and markets in places in the grip of predatory governance and criminal networks will remain a generational challenge and will become more difficult. There are already strides forward in innovation by aid organizations such as the [World Bank](#) and the [Inter-American Development Bank \(IDB\)](#) to rethink how to meet the development challenge through agriculture value chains. But much in aid has not been working for a while, and the combination of the need to provide relief to countries worst affected by COVID-19 together with constrained aid budgets will provide a real opening to re-think how countries can be set on paths for positive institutional change.

Citizens will have changed expectations of how states will need to cooperate with each other. Much debate has emerged as to whether we will see the triumph of the nation state and retreat from globalization or this crisis will provoke a renewed era of cooperation. We will certainly see renewed attention to the national social compact and on where supply lines need to be localized. We will also see continued cooperation in international financial institutions. But this is surely an open moment for leaders to renew an agenda for global cooperation, not least for future pandemic preparedness, but also on how our states, economies and societies can be renewed and made more resilient for the future, and how to fulfill collective responsibilities to the most vulnerable.

These are just a few of the critical considerations that states will need to pay close attention to as we move into the next phases of building resilience and recovery. Governments everywhere will face the challenge of rebuilding trust and to returning to the fundamental purpose of government - people want to feel safe, secure and hopeful for their futures. Will governments not just deliver now and plan successful recoveries, but also use this as an opportunity to re-think the fundamentals of the future state?