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# Taking Control: How the Centre of Government Can Unlock Economic Recovery

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# Contents

Executive Summary	3
The Economic Impact of Covid-19 in Developing Countries	5
Case Studies: International Responses to Past Economic Crises	7
Case Studies: Current Responses to the Covid-19 Economic Crisis	16
Recommendations for Heads of State	20
Recommendations for Development Partners	24

## Executive Summary

This report is a follow-up to our recently published report on the role of the centre of government (CoG) in health crises.<sup>1</sup> The unfolding worldwide economic crisis, caused principally by efforts to contain the global health crisis, has dire implications for developing economies. Many low- and middle-income economies are at risk given pre-existing fiscal constraints, institutional weaknesses and higher proportions of vulnerable populations.

As many as 71 million additional people may fall into extreme poverty in 2020 in low-income countries. In the informal economy, which accounts for a third of GDP and 70 per cent of jobs in low- to medium-income countries, job losses are at a record high. The added triple shock in commodity prices, disruption to global trade and financial flows and the Covid-19-related restrictions demand urgent action to ensure economic recovery and the safeguarding of developmental gains made in recent years.

The importance of the role of governments in supporting economic recovery amid crises is well understood: The depth and duration of the economic downturn will depend on the strength of governments' and development partners' response mechanisms to address key development outcomes including food security, poverty reduction, job losses and government revenues. But what is less generally appreciated is the role of the CoG – the office of the Head of State and supporting central offices such as the Vice Presidency, the Ministry of Finance and Economic Management, and other key central economic agencies.

As governments, non-governmental actors and development partners increasingly focus on economic recovery plans, what role does the office of the President or Prime Minister play as well as the Ministry of Finance and Economic Planning or Treasury in navigating the crisis and restoring rapid, longer-term growth in an uncertain global economy? In addition, as Covid-19 and the economic impact it has caused drags on, do CoGs need to be supported and equipped to make rapid decisions, scenario plan, and adapt and prioritise economic activities in a fast-moving and unstable environment? What are the supporting systems and structures that leaders at the heart of governments need to make rapid decisions with imperfect information? How are resources most effectively mobilised and coordinated to be deployed where they are needed most? And in low- and lower-middle-income countries, what additional support might be needed?

This report assesses the role of the CoG in successful economic recovery from crises. We analyse six cases of economic crisis and recovery across the world over the past 25 years – in South Korea, Thailand, the US, Chile, Liberia and Sierra Leone – to specifically identify the role that the CoG played. We find that the centre played a pivotal role in providing the framework for achieving a strong recovery. It determined the nation's ability to effectively manage economic crises. We describe best practice and examine how these practices are being applied in Covid-19 economic recovery planning by the CoG

across a range of countries. We provide recommendations both to heads of state and development partners on how to strengthen the centre of government to drive strong economic recovery; in particular it is crucial for the same degree of urgency observed by centres of government in their Covid-19 responses to extend into economic recovery efforts, as seen in countries like South Korea, Rwanda and Taiwan. Across five capabilities of an effective CoG, we identify key factors we believe the centre should keep in mind and make structural recommendations on how development partners can more closely align their internal and government-facing approaches and outcomes to support CoGs in achieving economic resilience and growth.

### **Recommendations for Heads of State**

1. Capitalise on crisis urgency and display decisive leadership.
2. Set a prioritised agenda.
3. Extend health-crisis command structures and performance management urgency to economic recovery.
4. Empower people with the appropriate skillsets to act
5. Set up an economic management structure accountable to the President or Prime Minister's office.
6. Be data-driven.
7. Proactively communicate government initiatives and progress.
8. Mobilise around regional bodies.
9. Develop a robust but agile economic recovery strategy and make a clear, focused ask for international support.

### **Recommendations for Development Partners**

1. Build trust with the centre of government.
2. Align programming more closely to governments' recovery priorities.
3. Allow for adaptive, flexible and demand-led support to national development agendas and structures over the long term.
4. Support governments with the implementation of long-term economic development agenda via the economic recovery plan – which in low-income economies, particularly in Africa, is increasingly an industrialisation agenda.

## The Economic Impact of Covid-19 in Developing Countries

Developing countries are currently facing a severe economic crisis. According to the World Bank, emerging markets and developing economies are expected to shrink by 2.5 per cent in 2020. This is a key moment for governments in low- and middle-income countries to plan for the financial and human capital required to improve economic resilience over the long term. Leadership capability to act quickly based on sound information will play a key role in alleviating some of the socio-economic impact that poorer countries are experiencing as a result of the pandemic.

According to the International Food Policy Research Institute, as many as 132 million additional people may experience chronic hunger, and 71 million may be pushed into extreme hunger at the \$1.90/day baseline, in 2020. Of these, up to 49 million may be African. Should the pandemic persist, up to 12,000 people per day may die from hunger-related illnesses, especially in countries with pre-existing hunger crises such as Yemen, Venezuela, South Sudan and the west African region of the Sahel. Ten low-income countries account for 65 per cent of those facing extreme hunger globally, with some emerging hotspots consisting of countries with high Covid-19 infection rates such as Brazil, South Africa and India. In the informal economy, which accounts for a third of GDP and 70 per cent of jobs in low- to medium-income countries, job losses are at a record high, many of which may never be recovered. Income for the vulnerably employed and underemployed fell by as much as 60 per cent in the first month of the crisis and existing inequalities are set to widen, disproportionately affecting women and children.

There is currently a triple whammy of shocks hitting African and other low- and middle-income economies: a prior drop in commodity prices, the impact of Covid-19 suppression measures (lockdowns, curfews, etc) and the global disruption to investment and trade.

**Prior drop in commodity prices:** Even before the pandemic, low- and middle-income economies reliant on oil and the export of base minerals and commodities have been hit by plummeting market prices and an acute slowdown in global demand. In 2017, oil revenues accounted for 70 per cent of national budgets and 90 per cent of exports in both Nigeria and Angola. As such, the plummeting global oil prices do not bode well for the two countries. Emerging and developing economies reliant on commodities revenue, in particular where demand has been driven by larger economies, will experience varying adverse impacts depending on the diversity of their economies.

**Outcomes of suppression measures to curb the spread of Covid-19:** More than 70 per cent of the workforce in developing countries are accounted for by small and medium enterprises (SMEs) and the informal economy. These businesses are highly vulnerable and susceptible to fail, lacking the resilience and access to capital of larger enterprises. Sectors providing mass employment including tourism, manufacturing and agriculture are hard hit by lockdown and health protocol measures, creating a

deepening job crisis from which labour markets may never fully recover. Job losses triggered by containment measures may further widen inequality and disproportionately affect women. Furthermore, supply chains have been disrupted by lockdown measures across the globe, impacting and stifling trade at unprecedented levels. The crisis is creating huge pressure on governments' budgets as they scramble to fund the Covid-19 response while simultaneously providing social protection for those hardest hit by the pandemic.

**Disruptions to trade and foreign direct investment (FDI):** In 2019, half of the world's fastest-growing economies were in Africa. In 2018, defying declining global investment trends, Africa received \$46 billion in FDI, an increase of 11 per cent from 2017. Due to Covid-19, investment into the continent is now set to contract by between 25-40 per cent in 2020. The overall value of greenfield investment projects in 2019 carried a combined capital expenditure of \$26.5 billion, with record greenfield manufacturing in six African countries. In the first quarter of 2020 alone, however, the value of greenfield projects announced on the continent in 2019 dropped by 58 per cent. The interruption to investment, and similarly trade, projects comes at a point when the continent is trying to diversify its economy by attracting new businesses to add value locally and to export. Maiden investment and trade platforms such as the Indonesia Africa Infrastructure Dialogue held in 2019, and the UK-Africa Investment Summit launched in January 2020, now have an uncertain future in the short to medium term. Likewise, the momentum and excitement over launching the African Continental Free Trade Area (AfCFTA) has been dampened by uncertainties and vast differences in regulations and containment of Covid-19 across the continent.

All of these factors are combining to create a highly challenging economic outlook for Africa. The average fiscal balance in Africa is set to fall to -9.0 per cent in 2020 and -7.9 per cent in 2021, according to the African Development Bank (ADB) – a level not seen in the last 30 years. The ADB expects African inflation to rise to 5 per cent, while Africa's risk ratings for borrowing on the international financial market are set to be downgraded. Similar scenarios are playing out in other low- and middle-income countries across the globe.

It is incumbent on governments to help their countries navigate these choppy waters and steer their economies to a rapid recovery while preventing a fiscal and monetary crisis that could leave long-term damage. Given the key role that the CoGs have played in managing economic crises and recoveries, it is essential for us to consider the role of the CoG in ensuring a focused, coordinated and well-targeted approach. Our emphasis is on the role of the head of the executive branch of the government (the office of the President or Prime Minister), but also key economic ministries.

# Case Studies: International Responses to Past Economic Crises

In this section we examine the economic recovery responses of the governments of South Korea, Thailand, the US, Chile, Liberia and Sierra Leone to varying economic crises in the past quarter of a century. We find evidence that the centre plays a pivotal role in governments' ability to effectively manage economic crises and provides the framework for achieving a strong recovery.

The six case studies were selected because they represent recoveries from different types of economic crises in a range of different country types, and because they match closely to the following seven criteria:

1. The country's economic capacity (to represent a range of different income levels)
2. The country's governance capacity (to represent a range of different governance levels)
3. Inclusion of a wide range of geographies
4. The crisis occurred within the past 25 years
5. The crisis was a countrywide economic crisis
6. The crisis was simultaneously a global or regional economic crisis
7. There was a simultaneous non-economic crisis (e.g. health)

## South Korea and the 1997 Asian Financial Crisis

In mid-1997 both a currency and banking crisis took place, with many large firms unable to service their debts. Within months the stock market had declined by 49 per cent and the currency had depreciated by 66 per cent. Unemployment eventually rose from 2.6 to 8.7 per cent and the economy contracted by 7.8 per cent in 1998. However, a year after the depths of the crisis and following significant reforms, recovery began. The economy grew by 11 per cent in 1999 and GDP returned to pre-crisis levels.

## Thailand and the 2004 Tsunami

On 26 December 2004 an earthquake measuring 9.1 on the Richter scale struck the Indian Ocean causing a number of tsunamis up to 30 metres high to hit surrounding countries. This included Thailand, where the earthquake killed over 5,000 people and over \$2 billion of damage. Reconstruction took five years.

## **The United States and the 2008 Global Financial Crisis**

Beginning in mid-2007, a downturn in the US housing market was a catalyst for a financial and banking crisis that spread from the US to the rest of the world. It caused the loss of \$7.4 trillion in stock wealth, \$3.4 trillion in real estate wealth and led to 5.5 million job losses. The recession would last until June 2009, with GDP recovering by 2011. However, the unemployment rate would not fall to pre-crisis levels until May 2016.

## **Chile and the 2010 Earthquake**

On 27 February 2010, an 8.8 magnitude earthquake struck off the coast of Chile, causing widespread damage and initiating a tsunami. These events led to 525 deaths and caused \$30 billion of damage. By mid-2014 most reconstruction was completed.

## **Liberia and the 2014 Ebola Epidemic**

The Ebola disease outbreak began in Liberia in March 2014 and the country was declared Ebola free in May 2015. By this time 4,810 people had died and, also because of the commodity price shock in 2014, growth collapsed from an average of 8 per cent in the first years of the decade to close to 0 per cent in 2014 and 2015. There were some early signs of recovery, with GDP reaching pre-crisis levels in 2017. This has been followed by a period of economic stagnation related to a range of factors including a change in administration.

## **Sierra Leone and the 2014 Ebola Epidemic**

The Ebola disease outbreak began in Sierra Leone in May 2014 and the country was not declared Ebola free until March 2016. By this time 3,956 people had died. Parallel to the shock from Ebola, the steep drop in iron ore prices, a commodity which had fuelled Sierra Leone's exceptionally high growth rates in previous years, saw the economy shrink by 21 per cent in 2015 alone. Although the economy is yet to recover to its pre-crisis levels, growth returned in 2016 and has continued since.

In each case we analysed the role of the CoG, with a particular focus on the office of the head of the executive branch of government. In doing so we have identified seven success factors that were common for managing economic crises and ensuring a sustained recovery. These have been grouped into five capabilities that the CoGs need to handle economic crises (some of which were identified in our report, [“Lessons From Covid-19 and Ebola for Managing Future Pandemics in Developing Countries: The Role](#)



of Centre of Government.”) These are leadership, personnel, structures, systems and international coordination. We provide findings for each component of a successful recovery.

We next discuss each of these, presenting examples from the country case studies. Our intent with this report is to extract what worked, and not necessarily to present the challenges or what didn’t work – we recognise each country faces many challenges and the fact we do not cover them in this report doesn’t mean all was straightforward.

**Table 1 – Capabilities of the centre of government and corresponding success factors**

<b>Centre of Government Capability</b>	<b>Success Factor(s)</b>
Leadership	1. Active political leadership and oversight from the head of state
Personnel	2. Empowered crisis coordinators 3. A strong mandate for appointed personnel
Structures	4. Crisis-specific structures, whether pre-existing or newly created 5. Appropriate delegation across institutions
Systems	6. Transparent and consistent communication
International Cooperation	7. International resource mobilisation

## Key Capability: Leadership

**Active political leadership and oversight from the head of state:** Recovery from an economic crisis begins with strong leadership and political will from the CoG. The head of state is a critical figure given their unique position and authority to act with speed, navigate political challenges and mobilise the resources needed at scale to address the crisis. A head of state actively involved in managing the recovery was common to all the case studies examined.

During the 2008 global financial crisis, Barack Obama began his leadership even before he was elected, campaigning about the need for a coordinated response from the G20. By the time he was President-elect he had already assembled his top economic team and within one month of becoming President had passed the \$800 billion American Recovery and Reinvestment Act – an unprecedented mobilisation of resources and a vital stimulus to kick off the longest period of economic growth and job creation in American history. Part of his strategy during this crisis was to hear regularly from a range of advisors and so once in office he added to his schedule 30-minute daily briefings from his lead economic team and created an environment where no individual's opinion would dominate.

Similarly, in South Korea, Kim Dae-jung was elected in the middle of the 1997 Asian financial crisis and quickly sought to resolve creditors' panic, with immediate demonstrations of his commitment to reform, passing 13 financial bills within ten days of winning the election. Importantly the President used the window of political opportunity created by the crisis to drive transformational economic change through his economic recovery plan. The result being that the South Korean economy was reformed towards a more market-based approach with greater separation between large corporations and government.

The 2010 earthquake crisis in Chile was also during a time of political transition and President Piñera campaigned on strengthening the CoG and setting up a President's Delivery Unit to ensure proposed goals were effectively performance managed. The earthquake was estimated to have cost the economy \$30 billion (17 per cent of GDP), with the largest share of this coming from the destruction of housing: The government would go on to take responsibility for rebuilding 222,000 homes as part of its economic recovery. Leadership on the economic recovery was also shown by the President in his support for the "Chile Helps Chile" telethon campaign, which mobilised actors across the country to raise money for the reconstruction efforts, collecting \$58 million in the first 24 hours.

During the Ebola crisis in Sierra Leone, President Koroma declared a state of emergency in July 2014 and was directly involved in setting the strategic response for the crisis, taking operational control away from the Ministry of Health and Sanitation when existing coordination was failing to deliver results. Through this intervention he established a National Ebola Response Centre (NERC) in charge of the health response and later set up the President Delivery Team in charge of the post-Ebola socio-economic recovery plan. During the same crisis in Liberia, President Ellen Johnson Sirleaf similarly took

a leadership role, regarding the disease as a threat to the nation’s “economic and social fabric” and making the response a priority for multiple branches of government.

### **Key Capability: Personnel**

**Empowered crisis coordinators:** Delegating authority to one or a small number of key individuals to manage the crisis was also commonly found across our case studies. These individuals are typically empowered by the head of state and granted authority over certain aspects or overall coordination of the response.

In Sierra Leone during the Ebola crisis, one of the initial challenges faced by the coordinating entities was that they were not empowered with a mandate to hold the various ministries to account. This was resolved when the President put the Minister of Defence in charge of the newly established NERC. The success of this led to the creation of the Presidential Delivery Team<sup>2</sup> – modelled on many of the same principles of delivery in the health response – which focused on a two-year socio-economic recovery programme started in June 2015. When the Ebola epidemic was over in 2016, the President appointed NERC’s Director of Planning, Yvonne Aki-Sawyer, the current Mayor of Freetown, to lead the team and drive delivery of the President’s top priorities. This was of central importance given the need for a coordinated approach to public service delivery spanning 11 ministries, departments and agencies.

We also find evidence from the 2004 tsunami response in Thailand where key ministers were given elevated roles to drive the economic recovery: Three Deputy Prime Ministers were assigned, by the Prime Minister, the responsibility for the long-term coordination of the recovery work, with one focused on economic recovery. Meanwhile, other senior ministers were put in charge of the four most affected provinces, Phang Nga, Krabi, Phuket, and Ranong to ensure sufficient connection between the centre and lower levels of government.

In Liberia the President clearly empowered first the Minister of Finance, as chair of Liberia’s Economic Management Team, and then the Minister of Agriculture, as her co-chair of the Presidential Task Force on Agriculture, to drive the short- and medium-term recovery process. This allowed the convening power of the President to be channelled to senior ministers to drive a coordinated response.

**A strong mandate for appointed personnel:** Another commonly observed success factor across our case studies was the provision to the appointed personnel of a clear mandate for dealing with economic recovery.

During the global financial crisis in the US, Obama’s lead economic team consisted of four highly credentialed individuals, who would go on to shape the main economic policies, including the American Recovery and Reinvestment Act. Each of the team had decades of experience as senior economists

within key government and international economic institutions (such as the Federal Reserve, World Bank and Treasury) and within previous administrations. They sat atop the four key existing government entities, each with clearly separate mandates and responsibilities for driving economic policy: Treasury (which had final decision over the governments financial policies), Council of Economic Advisors (which sat within the Executive Office of the President and provided the president with economic advice), National Economic Council (which brought together a large group of agency and department heads to coordinate policy) and Domestic Policy Council (which coordinated non-economic domestic policy-making).

In Chile during the earthquake response, among the first key decisions President Piñera made in the wake of the crisis was to appoint three experienced individuals to the Ministry of Housing and Urban Development – which was the key economic issue facing the country – to lead the housing recovery programmes. Each appointee had over a decade of technical experience in civil engineering in both the public and private sectors. Programme responses included grants (up to \$800) for tools and supplies to repair damaged homes as well as vouchers (up to \$30,000) to be used to rebuild homes that were destroyed.

### **Key Capability: Structures**

**Utilise pre-existing or create new crisis-specific structures:** Several success factors related to the structures of the CoG have been identified throughout effective economic recovery responses. The first is the use – where available – of existing structures to enable rapid and smooth coordination. The US for example was well placed to leverage the four existing government entities focused on economic policy in response to the global financial crisis. In Chile a key decision from the centre was to rely on existing management and resourcing structures by leveraging current ministry programmes and budget lines for the recovery effort, which enabled a rapid mobilisation of resources.

Where existing structures are not present or are inadequate, the creation of new structures is a common feature in the successful response by the centre of government to economic crises. These structures are typically focused on addressing the immediate economic needs. In Chile the formation of the Emergency Committee – chaired by President Michelle Bachelet and made up of ministers and local governors – allowed for improved coordination of the immediate response, including the quick mobilisation of the military, as well as preparation for long-term recovery.

In Thailand the Civil Defence Act was used to put in place an important emergency structure – the Civil Defence Committee, which was chaired by the Minister for the Interior and met daily via videoconference. This structure enabled swift coordination among key ministries and mobilised staff and budgets. This in turn enabled the government to mobilise \$1.7 billion from the budget for tsunami relief

and reconstruction efforts. Three months after the tsunami the Thai International Cooperation Agency also assumed responsibility for the coordination of international assistance.

The role of new structures was particularly apparent in Sierra Leone during the Ebola crisis where early coordination mechanisms (the National Ebola Task Force and the Emergency Operations Centre) largely failed, partly due to in-fighting and arguments over resources between various ministries. The new structures eventually proved to be more effective, thanks to the recognition of the scale of the problem, improved leadership, a more focused approach and shorter, more targeted meetings. However, these initial challenges highlight the difficulties of simultaneously setting up new structures, which require managing different cultures, processes and personalities, during a crisis.

In Liberia, the Economic Management Team was created to focus on short-term recovery needs, such as ensuring access to foreign exchange, ensuring imports of food and other key goods, managing inflation and ensuring smooth operations at the port. This structure allowed coordination between the Presidency, via the President's Economic Advisor, the Minister of Finance, the Central Bank and the Minister of Commerce and Industry. The Presidential Task Force on Agriculture was then created to bring together the President, Ministry of Agriculture, Ministry of Finance, Ministry of Trade and Industry, Liberia Revenue Authority, Ministry of Transport, National Investment Commission and Ministry of Labour to agree to a road map to implement pressing priorities needed for both short-term investment in agriculture, but also for long-term agriculture transformation. It helped ensure that each agency had a few specific priorities to lead and report on, and that these were synchronised with the main issues faced by the sector, both for short-term recovery and long-term transformation. It used the Ebola crisis as a basis to secure political momentum and coordination of long-term constraints, such as a misalignment of trade policy, trade facilitation and road development with the needs of the agriculture sector.

**Appropriate delegation across institutions:** A feature of successful structures involved in economic recovery to crises is that there is effective delegation to the appropriate functions of government. In Thailand, the prime minister's office coordinated several special assistance and compensation schemes to support economic recovery (reaching 285,000 people) which were delivered through eight national sub-committees, each tasked with focusing on the groups of affected citizens they were best placed to support. For example, the Department of Fisheries supported fishermen and the Ministry of Labour supported those who had lost their jobs. This was a vital part of the initial economic support for those whose livelihoods were damaged by the tsunami and was part of sequence of support programmes to rebuild the affected communities.

In South Korea the pre-crisis President instigated the Presidential Financial Reform Commission, whose recommendations were eventually implemented by the new administration. This included separating out the roles of vital economic agencies: The Financial Supervisory Service, Financial Supervisory Commission and Korea Asset Management Corporation. Each of these agencies would prove to be central pillars of the transformed South Korean economy.

In Liberia, the Economic Management Team was composed of three parts: Economic, Social, and Public Finance and Services, which corresponded to the three components of the recovery plan. Individual ministries were then in charge of executing different components of the plan while structures in the CoG – the Presidential Delivery Unit and the Cabinet Secretariat – were tasked with monitoring, evaluation, and reporting to the President’s office.

### **Key Capability: Systems**

**Transparent and consistent communication:** Common among many of the case studies is the importance of transparency and clear communication both with the public and among those coordinating the economic recovery. This success factor, which may begin during the crisis, appears to be particularly effective at sustaining long-term economic recovery. It may also be most relevant when investors and other market actors involved in the crisis face uncertainty and look to the CoG for guidance.

At the time of the global financial crisis, President Obama was receiving daily updates from experts and he was in turn providing updates to the American people through his weekly address, based on the recommendations of his team. By early 2009, the Open Government Directive was launched with the role of coordinating across government agencies to improve transparency, including publishing more government data and hosting public forums for feedback.

Following the earthquake in Chile, the government set up a monitoring and evaluation system based on a national report published every six months, a housing report published every month, an online tracking system and an online control system for beneficiary families. This was designed to facilitate transparency, accountability and trust, enabling society as a whole to monitor the effectiveness of the reconstruction process and the use of funds.

In Liberia the Presidential Task Force on Agriculture ensured different government ministries spoke the same language: that agriculture was the government’s foremost priority for economic recovery and transformation. This hadn’t been the case before the Ebola crisis. This was possible through the task force, because it allowed the President to show commitment and follow up on it, and because it gave clarity of roles to different government agencies around the same agenda. The task force was also complemented by an Agriculture Donor Working Group that clearly set out the government’s plans and priorities to development partners, allowing them, over the course of two years, to align plans around the priorities of government – something that had not happened well before the economic crisis. It allowed for the mobilisation and alignment of \$100 million in donor funding to the sector (in an economy only \$3 billion in size). All this, and the clarity of direction in Presidential public speeches, served as an important signal to the private sector to scale up investment in the sector; and that the government would support it.

## Key Capability: International Coordination

**International resource mobilisation:** Across the varying forms of economic crisis, the involvement of the international community consistently emerges as a success factor in our case studies. Effective economic recovery from crises may either be aided by international coordination of efforts or else by support provided by the international community.

The quick recovery of the South Korean economy following the 1997 financial crisis can in part be attributed to large support packages from the IMF and the commitment of the government to their reform programmes. The \$57 billion IMF package approved for South Korea was at the time the largest programme in IMF history. Following this, President Kim Dae-jung and other senior government policy makers were actively involved in all eight formal meetings held between the government and the IMF during 1998 to review progress of the programmes. Critically the President was able to use the involvement of the IMF to push through reforms which otherwise would have been politically challenging, making them a valuable ally during the reforms.

In Liberia, three months after the Ebola crisis started, the President asked the Minister of Finance to develop an Economic Stabilization and Recovery Plan. This included measures to address the fiscal gap created by the crisis, measures to support the restarting or boosting of economic activity where needed and measures to transform the economy in the coming months and years. As a result, the recovery plan set the basis for the alignment of donors around a more cohesive agriculture transformation plan than before the crisis. The focused plan informed the government's engagement – led by the President and Minister of Finance – with Washington-based organisations and other development partners who backed various elements of the plan. Crucially it helped the government, across multiple stakeholders, to be clear, specific and better coordinated about its asks to international partners.

During the global financial crisis in April 2009, President Obama joined the second-ever summit meeting of the G20 Leaders, where leaders committed to an aggressive policy response to restore growth and jobs and strengthen global financial oversight. During the tsunami response, Thailand did not accept international financial assistance for the first nine months after the disaster but welcomed technical support from international partners (together with NGOs); including know-how, equipment and direct support to the affected communities. Despite the overall effectiveness of the response from Chile following the earthquake, United Nations officials suggested that the government could have more quickly taken advantage of offers of assistance from other nations, instead of initially saying they were not needed and then later accepting them.

## Case Studies: Current Responses to the Covid-19 Economic Crisis

During the current economic crisis, the centres of a number of governments have been playing a key role in rolling out economic recovery responses. In this section we highlight a few examples from African countries that TBI supports and select non-African countries that further emphasise the importance of the success factors described above. While still too early to know the outcomes of economic response planning, these countries have taken proactive steps in the right direction to buttress their economies. However, given the global nature of the economic downturn, the influence of externalities in each context is not yet known.

### Rwanda

Even before its first case, the president showed leadership and effective use of structures by putting in place a Covid-19 Joint Task Force under the leadership of the prime minister. This team has a clear mandate to coordinate the implementation of the health and economic preparedness and response plans. This team now communicates on daily basis with the prime minister's office and the presidency.

Rwanda has also been proactive in planning for the future by developing both an Economic Recovery Plan and an accompanying Economic Recovery Fund, which is a facility to support businesses over the next two years and is managed by the Ministry of Finance. This has been combined with an effective communication system, where every two weeks the cabinet announces updated health and economic measures based on the latest available data.

Rwanda is also attempting to mobilise resources on the international level with a specific ask for an additional \$100 million for their economic recovery fund to match the \$100 million put in by the government.

### Kenya

The CoG was quick to act in Kenya with President Kenyatta issuing an executive order in late February to establish the Nation Emergency Response Committee on Coronavirus (NERCC). This team has been given a flexible mandate to manage both the health and economic challenges associated with Covid-19 and reports to the Office of the President. They have also been given a mandate to coordinate at the international level.



The NERCC includes representatives from the county governments in order to improve coordination across different levels of government. County governments are in turn being encouraged to develop their own economic recovery plans, managed by their own county-level delivery structures. Nyeri County Government has for example developed an economic recovery strategy which is being managed by the Governor's Delivery Unit, which reports directly to the county Governor and comprises of both government employees and external experts.

In May 2020 President Kenyatta rolled out Kenya's Eight-Point Economic Stimulus Programme, amounting to a total of Sh53.7 billion. The Programme is directly linked to the Kenyan government's medium-term "Big 4 Agenda" development programme and is expected to stimulate economic growth in the short-medium term as the country navigates through the economic impacts of Covid-19.

## **Ghana**

A new structure, the Inter-Ministerial Committee on Coronavirus Responses, has been set up to deal with Covid-19 and is chaired by President Nana Addo Dankwa Akufo-Addo. Within this structure there are several sub-committees each focused on different aspects of the crisis. This includes one in charge of the economic recovery which is headed by Ken Ofori-Atta, the Minister of Finance, whose trusted relationship with the president gives him a strong mandate to deliver the flagship economic recovery plan: The Coronavirus Alleviation Program. This plan was in part funded by transferring funds from the Ghana Stabilisation Fund. Part of this plan includes a minimum of \$175 million to support small- and medium-scale enterprises. Another part has been to lower interest rates as well as reserve requirements, with the goal of enabling commercial banks to provide over \$500 million to support industries in their recovery, in particular in the pharmaceutical, manufacturing, hospitality and services sectors.

Ghana was swift in requesting much needed financial support from the international community. As a result, it has already been able to access \$100 million in assistance from the World Bank, and the IMF approved a \$1 billion disbursement under the Rapid Credit Facility, noting the timely and proactive response of the government.

## **Sierra Leone**

In order to respond to the economic crisis, the government developed the Quick Action Economic Response Programme (QAERP), aimed at maintaining macro-economic and financial stability and mitigating the impact of the Covid-19 shock on businesses and households. To coordinate implementation of QAERP, the government established a high-level coordination group with critical Ministers, as well as donors. The QAERP structure was given the clear mandate to maintain macro-economic and financial stability and mitigate the impact of the Covid-19 shock on businesses and

households. This group reports to the Presidential Task Force on Covid-19 and is chaired by the Minister of Finance. The work of this Programme is based around several key pillars, each with indicators to assess progress and plan for data collection.

## **Burkina Faso**

Two new structures have been established to deal with the economic impact of the pandemic. These are the Presidential Task Force, which is led by Director of the President's Cabinet who reports to the President, and the National Pandemic Crisis Management Committee of Covid-19, which is led by the Prime Minister and covers the strategic and operational response efforts. These structures have been supported from the CoG by the Presidential Delivery Unit.

One of the key policies to come out of these structures has been the establishment of a \$167 million fund to stimulate the economic recovery of companies in difficulty. In March the government was also quick to announce the acquisition of \$50 million worth of agricultural inputs and animal feed to support food and pastoral production as a measure designed to lessen the social and economic impact of Covid-19.

## **South Korea**

South Korea announced its first Covid-19 case in January 2020. The CoG began to rapidly roll out economic responses to protect its citizens. State-owned banks were required to work closely with private banks and credit card companies to provide financial relief to citizens, while President Moon moved swiftly to announce measures to protect businesses, households and local economies that are susceptible to the virus, initially without having to implement any lockdown measures.

The National Assembly has passed four supplementary budgets for economic stimulus and recovery to date, the most recent in September 2020. In March, the President announced a Financial Stabilization Plan worth 5.3 per cent of GDP; in April a Key Industrial Stabilization Fund was announced, operated by the Korea Development Bank amounting to 2.1 per cent of GDP and supporting seven key industries including airlines, electricity and communications. In July, the government announced an overview of the Korean New Deal, a policy package that is anticipated to transition South Korea to a green economy and more inclusive society, and expected to create a total of 1.9 million jobs.

## Taiwan

To alleviate the impact of the coronavirus pandemic, the government of Taiwan introduced several measures covering a wide range of different aspects, and the country is now considered to have one of the most dynamic post-Covid-19 economic outlooks in the world. Almost a quarter (23 per cent) of Taiwanese companies are ready to hire new staff. Unemployment in the country is at 4 per cent compared to the 9.4 per cent average in advanced economies. The presidency has played a key role. Taiwan's recovery strategy announced by the President includes three major components: 1) full participation in the reorganisation of global supply chains; 2) make Taiwan a hub for international capital, talent and digital technology; and 3) balance economic and social development. Taiwan's success, off the back of a strong CoG role, disproves the idea prevalent in many countries that governments must choose between the health of their population and the economy in their response to the pandemic. The island has a very low Covid-19 mortality rate (0.29 per million inhabitants), yet, in the second quarter of the year, it saw a decline of just 0.6 per cent in economic growth. Taiwan's success can be attributed to its preparedness, and hands-on political leadership.

## Colombia

Colombia's stimulus and recovery plan, *Compromiso por el Futuro de Colombia*, was announced by the President on 20 August and includes investments over COP 100 billion (about €22 million) and the creation of 1 million jobs. The plan's roadmap for sustainable growth focuses on topics such as energy transition, combatting the effects of climate change, more reforestation and less deforestation, and access to environmental information. The government is planning to foster the country's clean energy transition with the aim of making Colombia the regional leader in this field. The President has designated officials with a background in trade and economic issues to develop the plan with help from a Colombian delivery unit that supports in creating the routines and workplan necessary to monitor and report on the implementation of the plan.

## Recommendations for Heads of State

Given the evidence from successful responses to economic crises in the past, as well as an understanding of the unique attributes and severity of the current crisis faced by developing countries, it is vital to consider the role the centre needs to play in the economic recovery. We have developed a set of recommendations for how the CoG can aim to build back better as they tackle the problem of economic recovery. Across the five component parts of the CoG we have identified nine recommendations we believe the centre should actively seek to draw from in strengthening their interventions toward economic recovery and resilience needs for their countries.

### Leadership

- Capitalise on crisis urgency and display decisive leadership:** The Covid-19 crisis has created a period of unified struggle within countries as well as a period of increased reliance on government action to effect change. As a result, leaders are presented with a unique moment of political opportunity to act swiftly and to act differently. As leaders are faced with the challenge of how to deliver economic recovery for their countries, the question must not only be how to rebuild but how to rebuild better. In recent months those governments that have responded most effectively to the challenges have been those that took clear and decisive action to respond to the rapidly changing environment. Although the economic changes faced across countries are not uniform, it is vital that leaders take this opportunity to tackle their most challenging economic issues. These could include restructuring public debt to improve long-term debt sustainability, tackling excessive budget deficits, introducing unpopular but necessary policies like taxes, initiating civil service reform, cracking down on corruption or capital flights. In normal times, any one of these areas of reform may be a serious challenge but in this crisis such reforms may not only be more necessary but also relatively easier to achieve – changes which might previously have taken decades may happen in months. This is also the case in low-income and lower-middle-income countries.

Throughout the current crisis we have seen leaders across the world taking centre stage in dealing with the challenges presented, whether that be chairing daily meetings or leading regular public briefings. As economies begin to consider how they will recover in the long-term, leaders should remain as engaged in these problems as they have been in the early stages of the pandemic. The economic recovery from this pandemic will be an uncertain, insecure, and long road. Leaders must maintain the good practices of active management they have adopted – such as chairing regular meetings – and not slip into ineffective ways of working.

- Set a prioritised agenda:** Recovering effectively from this economic crisis will require the execution of a clear set of priorities. Leaders at the CoG should respond by actively prioritising a small but essential number of policy interventions. These priorities should be selected through a rigorous

process of understanding the impact of Covid-19 on different sectors and how the government can build back better in these areas. In turn they must clearly communicate this national agenda to the public. Citizens and the private sector alike are right now looking to their leaders for direction and strong economic recovery plans. With recovery likely to take years instead of months, government clarity on what to expect is vital. This could include for example producing a national economic recovery plan, combined with a proactive communication strategy on what the priorities are for economic stimulus and recovery.

## Personnel

- **Extend health-crisis command structures and performance management urgency to economic recovery:** The Covid-19 pandemic has put government officials under higher scrutiny than normal, both from within government and by the public. Health ministers for example have been thrown centre stage to take responsibility for leading the response to the health crisis. As an example, heads of state may now meet daily with key ministers to maintain oversight. As countries embark upon a long period of economic recovery these behaviours should be maintained. This includes a renewed focus on performance management of the leadership at key government Ministries and agencies – and instituting positive and corrective incentive schemes. This has long been a principle of effective government delivery, but in these times leaders have been further empowered to ensure those making decisions are the right people.
- **Empower people with the appropriate skillsets to act:** Reducing the recovery timeframe is in part achieved by giving key individuals at the CoG a mandate and authority to act. This will likely remain true as governments look to rebuild their economies. A continued period of great uncertainty lies ahead and so it is essential to have assigned key roles and responsibilities to people qualified to direct an economic recovery. Given the urgency for socio-economic recovery and stability there is an opportunity to attract more talent to support the CoG. This may mean recruiting those who had previously seen governmental work as ineffective or slow or instead appealing to those with high levels of technical or analytical skills, the need for which has been highlighted by the current moment. Examples of this could include actively reaching out to economists and private sector players who will be key to understanding the macro economic effects of the huge government stimulus packages and the new world of work. As part of the economic recovery an increased presence of specialist and more diverse advisors is a structure which should be maintained.

## Structures

- **Set up an economic management structure accountable to the President or Prime Minister's office:** One of the first priorities for any government as they think about their economic recovery plan is to ensure they have a team right at the CoG responsible for designing and driving the economic recovery from this crisis with direct access to the head of state. Such a structure is critical to the complicated coordination efforts. For most governments in developing countries, mobilising

adequate financial resources in order to respond is likely one of the key challenges, so part of the mandate of any such team will be to address this problem. Beyond merely formulating the economic strategy, ensuring rapid implementation and performance management of any policies is another important component. The economic management structure must ensure robust communication and collaboration across key implementing Ministries and agencies including at the local government level as needed.

## Systems

- **Be data driven:** In recent months, data-driven decision making has risen in the list of priorities and governments have scrambled to collect, analyse and act on real time and localised information. This may be through the provision of dashboards tracking health information or else rapid surveying of citizens and businesses to understand the challenges they are facing. Responding to the economic crisis will require a continued emphasis on these systems in order to determine what is working. Existing information on the correct policy responses in this current unique situation is limited and therefore traditional decision-making processes must be refocused on evidence-based policy, with an increasing reliance on real-time information. Creating key performance indicator-based monitoring systems is an example of how such an approach could be implemented. The timing is apt to adapt technology and make use of platforms that support strategic decision making and enhance transparency and accountability.
- **Proactively communicate government initiatives and progress:** Due to uncertainty citizens are increasingly looking to their governments to provide guidance on how to behave and what to expect. As a result, governments must capitalise on this platform to communicate a clear and unified narrative around what government is doing and what is required from citizens. This may include trying to unite people around a national mission, renew the social contract or trust in government. Governments have also introduced specific new communication systems which reach a wide audience. If maintained these could be used to both sustain morale as well as nudge necessary behaviour changes key to recovery and long-term national development. Above all, the centre needs to move from being responsive in its communication to instead having a strong strategic communications strategy and function to clearly explain its vision and agenda to the public. Such a central function must also manage communications across government to avoid clashes and harmonise messages.

## International Coordination

- **Mobilise around regional bodies:** The centre of government also has a role to play beyond its nationally orientated priorities. Opportunities have and are arising where greater regional cooperation will play a key role in supporting economic recovery. The Africa Centres for Disease Control for example has shown itself to be a leader in supporting governments on the continent to respond to the health aspects of this crisis. Given that the virus does not respect national boundaries,

both the health and economic crisis will require regional cooperation. Another example from Africa is that supply chain disruptions means trade within the continent may prove to be a key part of building back better and therefore gives increased relevance to the African Continental Free Trade Area (AfCFTA).

- **Develop a robust but agile economic recovery strategy and make a clear, focused ask for international support:** Despite being seemingly obvious, one could be surprised how many countries fail to rapidly develop a robust economic recovery strategy that outlines a clear ask for international support. As well as this crisis providing a unique moment of national political opportunity, it also provides developing country governments with a unique moment of international political opportunity. With the world's attention directed solely onto this crisis, leaders of developing countries are being given a platform to highlight how, although all countries face a common enemy, many do not have the resources to respond in the same way. It is also an opportunity to increase the alignment of donor programming to the central agenda of the government. Governments should therefore make a clear ask to the international community based on a focused recovery plan. This relates to resource mobilisation from the international community (for example through debt moratoriums or restructuring), which is a key priority for many leaders. Some heads of state (such as Abiy Ahmed in Ethiopia) and finance ministers (such as Ken Ofori-Atta in Ghana) have already begun to lead on these efforts. Coordination among developing countries to achieve these goals may also be a worthwhile approach.

## Recommendations for Development Partners

Development partners play an important, though often complex role in national governance.

Development partners are often inextricably linked to delivering the political promise of human capital development. As such, to varying extents, partners scope, programme and finance projects that can develop the economic base to deliver on the long-term national visions to provide social safety nets for citizens. While aid agencies and development partners have often prided themselves on understanding the socio-economic landscape of the countries they support, and making data-driven financing decisions, they can play a bigger part in government-led private sector and social coordination mechanisms required for strong economic recovery.

In line with the recommendations made to governments, development partners may play a strategic role in supporting and working with governments. Partners may equally seize the opportunities created by the crisis to reassess and align their responses to better serve national recovery plans and alleviate the socio-economic impacts of Covid-19 in developing economies. In this vein, there are some internal structures that development partners can examine going forward. This will be critical in optimising the lag time in responding to the financial and implementation needs for priority interventions affecting economic recovery and resilience in developing countries.

- **Build trust with the centre of government:** To build collaboration and achieve impact requires mutual trust. Building trust over time allows partners to be well placed to provide and receive mutual support in times of crisis and could go a long way in alleviating project implementation bottlenecks. Partners often do not plan for continuous engagement with core leadership at the CoG, often relying on ad-hoc engagement at key moments. This approach is not effective in developing impactful communication and trust between partners and national leadership. Consistent engagements would promote more transparent dialogue and provide a platform for both government and partners to positively influence requisite national development needs.
- **Align programming more closely to governments' recovery priorities:** Partners should more closely seek to align their programming to those articulated by the governments' strategic agendas, including in periods of crisis. In line with ongoing government efforts to formulate prioritised economic recovery plans which require funding, partners contributions need to be synced to those of the CoG. To constructively support economic stimulus, partners should align with government processes and avoid setting up parallel implementation systems.
- **Allow for adaptive, flexible and demand-led support to national development agendas and structures over the long term:** For fragile and crisis-prone countries responding to compound crises in rapid succession, the lag time in implementation and response needs may quickly evolve. A longer



implementation timeframe and an adaptive and flexible implementation approach will help achieve more results, improve the quality of government support and economic recovery responses as a result. As appropriate, partners may collaborate on CoG delivery systems and provide technical expertise including in setting up the requisite structures required for economic recovery either as permanent structures or to suit short- to medium-term recovery needs. Such systems should ideally leverage local capacity, including in the private sector.

- **Support governments with the implementation of long-term economic development agendas via the economic recovery plan – which in low-income economies, particularly in Africa, is increasingly an industrialisation agenda:** To provide jobs and improve livelihoods, governments in developing economies are increasingly turning toward industrialisation. This will enable the continent to not only alleviate the burdens associated with human capital development and bounce back faster from ongoing socio-economic challenges exacerbated by Covid-19, but also diversify the trade and economic base of many African economies. This is also an opportunity to set up local industry to more robustly respond to internal demand from local markets. Partners can play a more active role in supporting CoGs to link to and develop the financial and human-capital resources required to realise the outcomes of well-structured industrial policies and interventions. In addition, supporting governments to adapt the use of technology and innovation could leapfrog industrial growth and the participation of lower-income countries in regional and international markets.

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## Footnotes

1. <sup>^</sup> <https://institute.global/sites/default/files/inline-files/Tony%20Blair%20Institute%2C%20Lessons%20From%20Covid-19%20and%20Ebola%20for%20Managing%20Future%20Pandemics%20in%20the%2021st%20Century.pdf>
  2. <sup>^</sup> The Presidential Delivery Team (PDT) received funding from the UK Department for International Development (DFID)
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