
UNDP Future of Development High Level Strategy Lab: COVID-19

12 May 2020



1. Introduction

This paper is a synthesis of the UNDP COVID-19 High Level Strategy Lab discussion held on 12 May 2020.¹ It builds on the discussion held on 22 April which focused on the choices governments are faced with in terms of immediate response and future recovery strategies, and how these can incorporate the DNA of fairer, more sustainable and resilient economies and societies.

2. From rethinking to reimagining development

The economic and societal disruption caused by COVID is worsening. Huge job losses, lack of demand, shrinking GDP, widespread failure of small and medium-sized businesses, fundamental shifts in consumer and public behaviour, growing bankruptcies and the risk of a domino effect if waves of COVID recur – all these are convulsing societies and threatening development gains.

With the economic foundations of some countries crumbling and citizens' views in some cases polarized, including in countries which had enjoyed some degree of public solidarity, the question remains: where and how should governments invest their limited resources to avert the worst, preserve what they can't afford to lose, and build a better future?

Governments face hard choices about where to direct limited resources. Some immediate needs are unavoidable, like saving lives and livelihoods, while other choices relate to longer-term, more discretionary goals that will determine the kind of societies, economies and global order we can build.

While priorities will vary according to context, all choices should be examined against certain criteria: do they contribute to an inclusive and green 'recovery'? Do they address climate change and advance sustainable development? Do they strengthen inclusion and equity? Will they make societies and economies more resilient, better able to weather the next crisis?

¹ This paper is an interpretation of the discussion hosted by UNDP on the future of development and does not necessarily reflect a consensus view of the issues presented or agreement by participants, including UNDP, on such views or recommendations

A. Where to invest

Some investments will be tangible, with clear price tags attached (health, jobs, digital connectivity); others may be intangible, but no less important for navigating and recovering from the crisis successfully (leadership, hope, public trust). Acknowledging that resources will inevitably be inadequate, priorities for investment include the following:

The tangibles

Jobs and livelihoods

Deprived of jobs or income opportunities, the poorest are literally at risk of starving. Cash transfers can avert the worst, efficiently. Using big data, AI and partnerships with cell phone companies, cash can be transferred instantly. Even without the data to pinpoint the very poorest, cash can be transferred to targeted geographic regions where differences in poverty levels are not great. Cash transfers are empowering, effective, avoid the costs of intermediaries and can have a multiplier effect of some 2.6 in rural communities, even when using blunt targeting criteria like cell phone ownership.

With companies' hiring demands scaled back or non-existent, the usual model of working with companies to train workers for identified needs no longer works. But while we cannot know what some new, post-COVID jobs will look like, some generic skills (e.g., digital, customer relations) will definitely be needed, and "green" skills should be cultivated (renewable energy, sustainable nature management, etc). There is an opportunity to repurpose human capital in the private sector for public sector training programmes that can help countries better prepare for what comes next.

Digital connectivity

COVID is exposing a stark digital divide. In Panama, for example, the 75% of children without broadband access have already missed months of school. Even in rich countries like the US, children are being left behind (the latest stimulus package includes some \$80 billion for digital connectivity).

This is an opportunity to think big on connectivity in the developing world and leapfrog development by extending public services to reach the underserved with health services and education via telemedicine and remote learning. Investing in digital entrepreneurship is one possible avenue; see the example of an entrepreneur in Cape Verde, supported by the Tony Elumelu Foundation, who used drone technology to help disinfect streets and deliver medicine and protective equipment in rural areas.

Rural development

Today's food system is the largest driver of health problems, largest emitter of greenhouse gases and yet the greatest employer of people. There are 1.1 billion smallholder farmers around the world who need support to improve productivity, reduce risk and ensure fair prices – these three levers need to become a focus of medium- to long-term public policy.

In Africa and elsewhere, vibrant rural economies are vital to tackle food insecurity and unemployment, a roadblock to development. Governments must create the enabling policy and regulatory environment and invest in infrastructure (digital connectivity, transport, etc.) to catalyse

rural investment, including for sustainable large-scale agribusiness, akin to the rapid, public sector-enabled and private sector-executed industrialization of rural China in the last 50 years.

Diversified supply chain

Supply chain disruption has hurt the most vulnerable (e.g. limited or non-availability of medicines and protective gear, food supplies) and prompts the question of whether and how countries should build greater self-sufficiency to increase resilience against future shocks.

While COVID has revealed the risks inherent in relying on international supply chains, especially for the developing world, aiming for national self-sufficiency can also carry serious risks of fragmentation.

Whereas it makes sense for countries in Africa, for example, to invest in greater food production capacity (Africa need not remain a net food importer), it is diversification of supply chains that will most effectively insure against risky over-dependence on single or few sources. Diversified global supply chains that allow countries to exploit their comparative advantages, coupled with governments' commitment to open borders and trade, are likely to be the most efficient system.

Supporting Small and Medium-sized Enterprises (SMEs)

The impact of COVID is already being felt in the lack of demand, the retrenchment of jobs and failure of many SMEs in developed and developing countries. COVID however presents an opportunity to invest in research and development (R&D) as a countercyclical approach to exploit the economic potential of SMEs, including by investing in digital capacities to bring them into the digital, future economy. This will help small businesses stay afloat and even grow to the threshold where they can increase wages and connect to larger firms and supply chains in the medium-term.

Preparedness

Countries that had invested in preparedness and safety nets are weathering the crisis better. With global risks increasing, governments should strengthen their preparedness, so they are more ready to face the next crisis. This includes building resilience at all levels of government, especially local government (in the short-term) given its proximity citizens, understanding of their immediate concerns and ability to source local solutions rapidly and effectively.

Building resilience also requires rethinking how to finance public goods differently – whether human health, our climate, etc. Given the costs of COVID alone, investment in preparedness makes financial sense.

The intangibles

Governments are also investing, whether consciously or not, in intangible goods which are vital to societies' and economies' long-term future. Some of these, like public trust and hope, can be bolstered by the concrete investments described above, and by how those investments are made. Others, like leadership, are more a function of individuals or culture, and are less easy to cultivate, especially in the short-term, but are tremendously influential in how effectively countries navigate and recover from the crisis.

Leadership

COVID has heightened people's insecurity and exacerbated existing vulnerabilities at a time when trust in governments was already low in many countries. It has sharpened attention to leaders' performance, and in some countries has prompted movements for impeachment and resignation based on leaders' response to the crisis.

There may be no single "right" type of leadership, but leadership founded on credibility, consensus-building and awareness is likely to be more effective and broadly trusted, among business leaders as well as politicians:

- **Credibility** – Credible leaders speak the truth. Their communications are transparent, grounded in science and data. They are perceived as acting in the national interest rather than furthering their own political agenda.
- **Consensus-building** – Internecine quarrels among politicians appear self-interested and heighten people's sense of insecurity. In a crisis, people expect politicians to convey empathy for their citizens' predicament (a strength demonstrated by many women leaders) and to collaborate in the collective interest: to bring people together, not divide them. This matters equally, perhaps even more so, at local and regional level, among governors, mayors etc. Unless people believe that government decisions are grounded in care for their wellbeing, there may be serious social unrest.
- **Awareness** – Leaders have the responsibility to make people conscious of the reality they are facing. This includes the huge inequalities of COVID's impact – and of its implications, i.e. that continued unsustainable production and consumption are simply not an option, that what is required is not just a response to the pandemic but fundamental change to our economic and social systems. Unless leaders can communicate these realities and convince society at large of the need for change, it will be impossible to build the necessary consensus for action; the privileged, at least, will want to return to the status quo ante.

Hope

People need motivation to combat a sense of hopelessness. To stimulate that hope, strategies and plans, however encouraging, are not enough. People need to see concrete action, from public/private partnerships to provide broadband access to the underserved, to investments in entrepreneurs and small businesses that can create optimism and the confidence to reimagine a post-COVID future.

These are especially important in Africa, some 60% of whose population are under 30, where young entrepreneurs are responding to COVID (e.g., making protective equipment) and are still optimistic about the future. Supporting them delivers both intangible benefits (hope, human capital) and practical results (immediate health supplies and more independent supply chains).

Tackling COVID requires substantial human resources, from contact tracing to testing. Paying people to take on these short-term jobs, not just paying unemployment benefits, could help them feel useful and preserve their motivation and sense of contribution: a real defence against hopelessness.

Public trust

Public trust and confidence in government is a fragile thing – see for example the beginnings of protests against government handling of the crisis in Germany, the US and Brazil, notwithstanding the broad popular support the government enjoys.

Given the radical nature of the measures that are being taken (governments bailing out failing companies, restructuring debt across the globe) and the risk of a “public veto” (“why should we write off others’ debt when we’re suffering?”), it will be essential to bring people along - by advocating for the value of investment in public goods, and by explaining government actions and policies within a larger, positive framework of sustainable development, not merely a route to fixing broken systems.

This will be hard, but need not be impossible; compare for example the reform of the IMF after the 2008-09 financial crisis by its shareholders, implemented at a time when the very value of the organization was being questioned, yet which ultimately created one of the fastest, and arguably one of the most responsive, parts of the multilateral system, now much better equipped for crisis management.

B. How to invest

In deciding where to invest, governments have choices about how they invest, whom they bring to the table and the relationships they create – choices that can help, or not, build stronger foundations for sustainable development.

How stimulus packages are constructed

The more savvy, best-capitalised companies, not necessarily the most in need, are often those who get first access to government assistance. Not only is this not a prudent allocation of resources, it fuels the perception (or reality) of unfair privilege. Governments need to think creatively about their role if they are to avoid public resentment that a small, privileged group is cornering the spoils (as the government response to the 2008-09 financial crisis provoked).

Protecting the public stake could involve options such as attaching preconditions to loans and grants (e.g., that companies meet certain environmental, social and governance (ESG) criteria, pay a minimum wage, eschew offshore tax havens); or, for large companies able to access credit fast, making credit conditional on their prepaying small suppliers, ensuring that benefits trickle down. In cases where the government is the investor of last resort, options for protecting the public interest might include mutualization of ownership (with opportunities for company buy-backs).

Stimulus packages should also be designed with an eye to the future:

- to incentivize longer-term goals regarding, say, climate change by investing in renewable technologies, or unemployment by investing in human capital;
- to tackle the structural issues of dualism (e.g., metropolitan vs rural, small vs large business), without which societies will be left fundamentally unchanged and constantly vulnerable.

Who is involved in decisions and how the process is structured

Convening a broad group around the table is important to avoid groupthink or capital-centric decisions. This should include not just politicians and scientists, but others who may be better attuned to what is happening within communities and beyond the capital.

Getting central and regional/local governments to work together makes all the difference in an effective response and in what comes next. Local or regional governments are sometimes better equipped to deliver a fast and equitable response. Indeed, effective capacity at local or regional level can help insure against inadequate decision-making at the centre while preparing local governments for future crises.

Creating mutualistic relationships

COVID has brought the interactive capacity of the public sector to the fore, as governments must work with the private sector (and others) on everything from online education platforms to retooling factories to produce urgently needed essentials. Public/private sector partnerships, and the procurement policies and contracts through which they operate, matter as never before. Countries differ hugely in the capacities of their public sectors to manage these, as well as in their citizens' perception of the public sector's role.

Successfully managing these public/private relationships is especially difficult in countries with underdeveloped public sectors or those where the public sector has been downsized or deskilled. If the public sector has little absorptive capacity – if it cannot identify and seize opportunities because it outsources projects or even essential functions, so losing the learning benefits of experimentation - then its ability to govern effectively diminishes.

Successful public/private partnerships will depend on well-designed procurement policies, on contracts that set ambitious deliverables without dictating how to reach them, thus fuelling experimentation in the public interest. (Compare the moon landing contracts NASA developed in the 1960's with private companies - short, but clear on expectations.) In addition, the public sector needs the imaginative capacity at the outset to effectively frame the problem that the partnership is designed to address.

Governments need to think creatively about their catalytic role, going beyond deploying public/private partnerships in the traditional way (leveraging both public and private innovation; catalysing more vibrant markets) to using them to better fulfil governments' most basic role, the provision of public goods.

For example, many developing countries are confronted with unliveable, unsustainable cities, its human capital, health and education systems underdeveloped. Investing in these public goods requires new types of partnerships and new types and sources of financing. It is governments' role to create the conditions – regulatory certainty, risk mitigation (e.g., first loss guarantees, preferred equity, tariffs and pricing) – that can attract private investment even to those areas of public goods not traditionally seen as offering financial returns.

3. Reimagining development- what UNDP can contribute

The profound sense of crisis, a widespread appreciation that the world faces an existential challenge, may be what allows the global community to change course, to address the serious structural issues that predated COVID and to reinvent our societies and economies.

In the US, for example, ideas are being considered that were previously considered off the table (forgiving student debt, college for all), while concepts like a universal basic income are now seeing a degree of experimentation with broadly-distributed cash transfers. COVID offers the opportunity to reimagine development - though much will depend on leadership at all levels.

Despite criticism that the multilateral system is not working, while nations are thinking nationally it is through the multilateral system that they can think collectively, long-term, collaboratively, about a range of issues that are in their national interest, including vaccines, countries' debt burdens, preparedness for future crises.

It is in the local, national and also the global context that UNDP contributes. UNDP does not dictate, it advises. As a trusted partner, it can convene, connect, shorten learning curves, foster experimental thinking and risk management. While UNDP does not command the hundreds of billions which the IFIs can invest, it complements their work by helping to shape those investments, supporting governments as they choose where and how to invest.

UNDP can support (e.g., through the Accelerator Labs) innovation and experimentation in how governments deliver and measure development results, for example the growth of human capital that companies create through training and how to incentivize it through tax breaks or other incentives.

Governance is an important entry point for UNDP in many dimensions of response and recovery, including:

- **Equity and inclusion:** reaching the most vulnerable in response and recovery and making use of the opportunities (e.g., digital connectivity) to improve the lives of the poorest and most vulnerable; considering the role of women, affected in such disparate ways by COVID (as leaders, as essential workers, vulnerable to violence and loss of informal jobs), and how to involve them in building (back) better.
- **Stronger public sector capacities,** often an important limiting factor to transformative action in partner countries, including in: (a) analytical capacities, including metrics; (b) capacities to design and manage new types of public/private partnerships; (c) effective local and regional government capacities, well-connected to central government.
- **New markets and economies:** helping governments create new markets and attract new private investment to public goods, through regulatory certainty, risk mitigation, etc; growth strategies for SMEs, including by supporting intelligent diversification of supply chains; stimulating rural economic development and entrepreneurship.

4. Annex – List of Participants

(in alphabetical order)



Achim Steiner (Brazil, Germany) is a global leader in sustainable development and international cooperation. He lived and worked in many countries in Africa, Asia, Europe and the Americas championing economic development, sustainability and equity, and has been a vocal advocate for the SDGs. He was elected by the UN General Assembly in 2017 to head the UN Development Programme (UNDP). Prior, he directed the Oxford Martin School and previously led the UN Environment Programme. He was also Director General of International Union for the Conservation of Nature; and the Secretary General of the World Commission on Dams. His awards include the Adam Smith Prize for Environmental Economic Policy and the Tällberg Foundation Leadership Award for Principled Pragmatism.



Ifeyinwa Ugochukwu (Nigeria) is the third CEO of the Tony Elumelu Foundation and the first African to be appointed for the position. In this role she focuses on scaling the impact of the 10-year \$100million Tony Elumelu Entrepreneurship Programme and for positioning TEFConnect – the digital networking platform for African entrepreneurs, monitoring and evaluation, research, and alumni engagement. Ugochukwu brings almost two decades of corporate experience, including her most recent role as the Director of Partnerships and Evaluation at the Foundation. She has a Post Graduate degree in Business and Executive Coaching from the Integral African Institute, Cape Town and a Bachelor of Law from University of Wales and Nigerian Law School.



Isabel de Saint Malo de Alvaro (Panama) is the former Vice-President in Panama - the first woman elected for the position. She has over 20 years' experience in consulting, development and implementation of public policies in Latin America. She started her diplomatic career with posts in the Ministry of Foreign Affairs and the UN Permanent Mission in New York. She has worked for 15 years for UNDP Panama in different positions. As the Latin American and Caribbean Champion for the UN Women-ILO-OECD initiative Equal Pay International Coalition and the leader of the IDB-WEF Panama's Gender Parity Taskforce, she has been instrumental in promoting policies to ensure gender equality internationally.



Isobel Coleman (USA) is the Chief Operating Officer at GiveDirectly and Advisory Board Member at Trilantic Capital Partners. Coleman served as the U.S. Ambassador to the UN for UN Management and Reform. She was previously a senior fellow at the Council on Foreign Relations. Prior to joining the Council on Foreign Relations, she was CEO of a healthcare services company and a partner with McKinsey & Co. A Marshall scholar, she holds a BA in public policy and East Asian studies from Princeton University and MPhil and DPhil degrees in international relations from Oxford University. She serves on several non-profit boards, including Plan USA, Student Sponsor Partners and the National Outdoor Leadership School.



Juan Somavia (Chile), Director-General of the ILO (1999-2012), formulated the notions of decent work and a social protection floor for all within a fair globalization that respects the dignity of the human person and integrity of the Earth. As Chile Ambassador to the UN, he proposed & chaired the World Social Summit that became the nucleus of the social dimension of Agenda 2030. He was Director of the Chile Diplomatic Academy; Adviser to SG's Perez de Cuéllar, Boutros Ghali and Ban Ki Moon; President of UN SC and ECOSOC; and Founder & President of the South American Peace Commission. He has experience in all areas of public life, as Ambassador, participant of civil society initiatives, policymaker and political exile, with the motto 'we must all be activists of a better world'.



Mariana Mazzucato (Italy, USA) holds the Chair in the Economics of Innovation and Public Value at University College London (UCL) where she is the Founder and Director of the UCL Institute for Innovation and Public Purpose (IIPP). IIPP is dedicated to rethinking the role of public policy in shaping the direction of innovation to produce growth that is more sustainable and inclusive. She sits on various boards of policy organisations and is Special Advisor for the EC Commissioner for Innovation. Her award-winning books include *The Entrepreneurial State* (2013) and *The Value of Everything* (2018). She was named as one of the '3 most important thinkers about innovation' by the *New Republic*, and is on *The Bloomberg 50* list of 'Ones to Watch' for 2019.



Martin Jäger (Germany) is the State Secretary of Federal Ministry for Economic Cooperation and Development since March 2018. Previously he served as State Secretary in the Ministry of the Interior, Digitisation and Migration, Baden-Württemberg (2016-2018); Head of Political Staff and Spokesperson to the Minister in the Federal Ministry of Finance ((2014-2016); and German Ambassador to Afghanistan in the Federal Foreign Office (2013-2014). At Daimler AG/Mercedes Benz, he was the Head of Global External Affairs and Public Policy (2008-2013); and previously the Head of Division and Press Secretary at the Federal Foreign Office (2005-2008); and Head of Division at the Federal Chancellery (2004-2005).



Ngaire Woods (New Zealand) is the Founding Dean of the Blavatnik School of Government. Her research focuses on how to enhance the governance of organizations, the challenges of globalization, global development, and the role of international institutions and global economic governance. She is co-Chair of the WEF's Global Future Council on Values, Technology and Governance. Previously, she founded the Global Economic Governance Programme at Oxford University and co-founded (with Robert O. Keohane) the Oxford-Princeton Global Leaders Fellowship programme. She was appointed Commander of the Most Excellent Order of the British Empire (CBE) in 2018 for services to Higher Education and Public Policy.



Pavan Sukhdev (India) is the President of WWF International. He is a scientist by education, an international banker by training, and an environmental economist by passion. Years of work in sustainability and the invisible economics of nature led to his appointment to head the UN's Green Economy Initiative and to lead the G8+5 study TEEB (The Economics of Ecosystems and Biodiversity). In his book 'Corporation 2020', he describes four changes in micro-policy and regulation which can rapidly transform today's corporation to deliver tomorrow's green and equitable "economy of permanence". As founder and CEO of GIST Advisory, Pavan works with C-suite executives and senior government officials on transition techniques, with an emphasis on metrics.



Tharman Shanmugaratnam (Singapore) is a Senior Minister having served as Deputy Prime Minister of Singapore for eight years. He is the Coordinating Minister for Social Policies and advises the Prime Minister on economic policies. He is concurrently the Chairman of the Monetary Authority of Singapore. Tharman is also Deputy Chairman of the GIC and chairs its Investment Strategies Committee. Tharman chairs the Group of Thirty, an independent global council of economic and financial leaders. He also chaired the G20 Eminent Persons Group on Global Financial Governance. He earlier led the International Monetary and Financial Committee of the IMF. He co-chairs the Advisory Board for the UN's Human Development Report, and is a member of the WEF Board of Trustees.



Tony O. Elumelu (Nigeria) is an economist by training, a serial entrepreneur, and philanthropist. He is the Founder and Chairman of Heirs Holdings Ltd, an African proprietary investment company, with interests in power, oil and gas, financial services, hospitality, real estate and healthcare, present in twenty African countries. Tony is known for his significant contribution to entrepreneurship in Africa. In 2010, he created The Tony Elumelu Foundation, which has committed \$100m in a 10-year programme to fund, mentor and train 10,000 African entrepreneurs. The Foundation's mission is inspired by Tony's economic philosophy of Africapitalism, which positions the private sector as the key enabler of economic and social wealth creation in Africa.