FUTURE OF GOVERNMENT

# THE FUTURE OF GOVERNMENT:
# REIMAGINING
# GOVERNMENT FOR GOOD

WORLD BANK GROUP

Governance Global Practice

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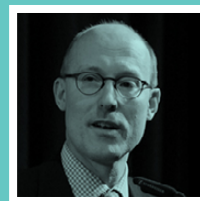
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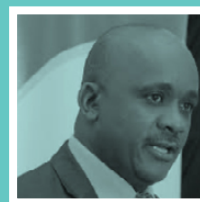
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# ABBREVIATIONS

| | |
|---|---|
| **ANZSOG** | Australia and New Zealand School of Government |
| **COVID-19** | Coronavirus Disease 2019 |
| **DRC** | Democratic Republic of Congo |
| **ECA** | Europe and Central Asia |
| **FoG** | Future of Government |
| **GDP** | Gross Domestic Product |
| **HIC** | High Income Country |
| **ICT** | Information and communication technology |
| **IMF** | International Monetary Fund |
| **LAC** | Latin America and Caribbean |
| **LIC** | Low Income Country |
| **LMIC** | Lower Middle Income Country |
| **LUCHA** | Lutte Pour Le Changement / Fight for Change |
| **MDG** | Millennium Development Goal |
| **MENA** | Middle East & North Africa |
| **MIC** | Middle Income Country |
| **NDC** | Nationally Determined Contribution |
| **OECD** | Organization for Economic Cooperation and Development |
| **PPP** | Purchasing Power Parity |
| **SA** | South Asia |
| **SDG** | Sustainable Development Goal |
| **SOE** | State-owned enterprise |
| **SSA** | Sub-Saharan Africa |
| **VFM** | Value for Money |

| | |
|---|---|
| **WB** | World Bank |
| **WDR** | World Development Report |
| **WEO** | World Economic Outlook |
| **WHO** | World Health Organization |
| **UMIC** | Upper Middle Income Country |
| **UNESCO** | United Nations Educational, Scientific and Cultural Organization |
| **UNICEF** | United Nations International Children's Emergency Fund |

**FUTURE OF GOVERNMENT**
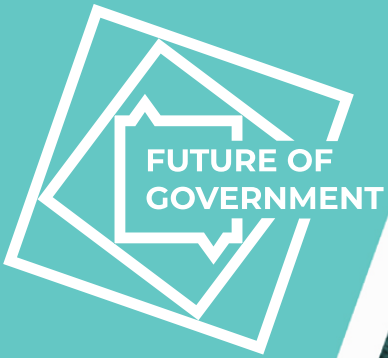
# EXECUTIVE SUMMARY

# A CALL TO ACTION

**WHY NOW?**

**Globally, we face an unprecedented triad of crises:** COVID-19 with its continued health, economic, and fiscal challenges; climate change with its potentially existential threat to the planet; and conflict, with its immense human suffering and destruction.

**The world is at an inflection point.** We are presented with two stark visions for our collective future:

- The first builds on the progress that governments made early in the 21$^{st}$ century to create a future where people across the world are more secure in their livelihoods, prosperity is shared by many, poverty is in decline, our planet's natural resources are used sustainably, and global warming is reversed.

- The alternative picture is a future that will involve increased uncertainty, inequality, poverty and suffering exacerbated by global health challenges, climate change, and conflict.

**In this century, prior to these crises, governments across the world made significant contributions to the progress of development.** By and large, governments helped to control inflation, reduced extreme poverty, enabled a technological revolution in mobile telephony, and increased access to basic services.

**Yet, governments in many parts of the world remain challenged to meet the basic needs of their citizens and face unresolved governance problems.** They continued to struggle to improve the quality of services, create conditions for improved security of jobs and livelihoods of their citizens, and to build equity and social cohesion. Children are more often than not attending school, but often don't learn the basics, accessing a government health clinic is often challenged by distance, opening hours and absenteeism, and healthcare providers often fail to diagnose and treat common illnesses. While social protection schemes have been rolled out around the globe, they are often insufficient to reach everyone, so peoples' livelihoods are often precarious and without a safety net. High levels of corruption and organized crime remain unsolved issues in many countries. Governments are often mistrusted. Despite years of economic progress, in 2020, most people lived in one of the 76 countries where their government spent less than $3.44 per capita per day, whilst the richest countries spend more than $60 a day.

**Most of these challenges are rooted in problems of governance.** Service providers and regulators are not given the tools and resources they need to deliver and citizens are unable to hold service providers accountable. These problems pre-date the onset of COVID-19 and climate change, yet they remain intransigent problems to many nations, and continue to be challenges for governments.

**The impact of the COVID-19 pandemic, the need to deliver climate change commitments, and the rise in conflicts has amplified the need for more effective government, from the central to the local level.** Government agencies, including local authorities and state-owned enterprises, are taking on new responsibilities for policy making, regulation and service delivery; the pandemic in particular was a shock that required governments to respond with agility – moving services online, creating home-based work environments for civil servants and developing national and local policy in coordinated ways to minimize the health and loss of livelihoods impact. The pandemic caused a health shock that also required governments to step up their regulation of society to introduce and enforce physical distancing as one of the leading remedies to prevent transmission, leading to a culture shock in many places where civil liberties and private freedoms were considered to be secondary to the need for collective action for the greater good. The economic shock that ensued also required a rapid expansion of state assistance, both for citizens and, in many cases, enterprises. The pandemic has also generated a revenue shock, and has forced governments to spend, ramping up their debt. People around the world are feeling the impact of COVID-19, climate change, and conflicts, which adds further strain on the social contract.

**By re-imagining themselves now and undertaking a more collaborative approach to determining and delivering development action in the future, we believe that governments can create new opportunities and change for good.** One thing is clear: the actions that governments take in the months and years ahead will play a critical role in determining which vision of the future will be realized.

**FROM THE GOVERNMENT OF THE PAST TO THE GOVERNMENT OF THE FUTURE**

**All countries have a government. All governments are different.** They have different characteristics and different histories. They are structured differently and made up of different bodies, including central government, local governments, ministries, departments, agencies, and state-owned enterprises. These bodies may work across functions or within specific sectors. Responsibilities are distributed differently between central government, regional and local governments. They are made up of different mixes of people: presidents, ministers, mayors, central and local bureaucrats, and workers at the frontline – from soldiers to teachers, from judges to nurses. Just as we urge governments to rethink how they function, we ask those involved whether inside or outside government to think deliberately about the different dimensions of government: how power is distributed; the interests of leaders; the incentives they work under; how their organizations came about; and the resources available to those with power.

**Over the course of history, governments have demonstrated many positive traits as well as some failings, which need to be learned from and build upon.** In changing for the better, it is important that governments recognize and understand past failures and opportunities for positive change. Similarly, while local influencers and international actors (including the World Bank) can take credit for supporting earlier successes, they should also acknowledge they have contributed to the failures and take time to learn from those errors.

**We have created a vision of the Government of the Future which contrasts with what we know about the Government of the Past.** While the characterizations are extremely general, they are likely to resonate with citizens across the world:

- We know that the **Governments of the Past** can be blind to context, leave a history of broken promises, lurch from crisis to crisis, pander to and enrich elites, resist change, and often be mistrusted.

- By contrast, the **Government of the Future** has a clear vision of its role and is responsive to the demands of citizens; it can influence and deliver; it is innovative, productive, trusted, and prepared for crises.

**Throughout this report, contrasting pictures of the past and the future are set out as a tool to stimulate thought and debate as the report is used in particular country contexts.** Many of the failings of the Government of the Past are likely to persist, and many governments have displayed behavior consistent with the Government of the Future. The intention here is to highlight the types of behavior that governments need to leave in the past and put forward the types of behavior governments could consider adopting in the future.

**As every country and its government are different, the Government of the Future will look different from country to country, in each sector, and at each level.** There is no one-size-fits-all solution. Each challenge faced by government is complex and governments need to simultaneously solve multiple challenges and meet citizen demand in their own way.

**Within and outside every government in every country are people who can make a difference and change their government for good. It is now time for such people to take action.**

**REIMAGINING GOVERNMENT**

**So, how can governments start to reimagine themselves?** The Future of Government Initiative sets out a framework for reimagining government that is intended to cut through the complexity by proposing a few simple actions and posing some key questions that stakeholders in and out of government can collectively answer. The purpose is not to add complexity or to be prescriptive, but to set out a flexible, iterative process that can enable governments to navigate the complexity of governing by focusing on a limited number of challenges and issues at any one time, identifying trade-offs and making deliberate choices, adjusting and fine-tuning as needed. Most importantly, we call for them to take action.

**No single government leader or institution can solve all the challenges faced by government and meet all its demands and expectations.** The process of revitalizing government can and needs to be performed at different levels and in different spaces – by the center of government, and by local governments, by groups of citizens working with government and by private sector leaders, by academics and students, and anyone who sees the need for change. Governments should not try to maximize output on their own, but envisage their capabilities in conjunction with what the private sector and communities can contribute to advancing the many pressing challenges that people and their societies face.

**The Future of Government report and supporting website sets out this framework in depth.** The process is broken down through a series of steps and questions. This is to help guide governments and their supporters through the processes of transforming how their government functions and what steps to take first.

## RENEWING THE SOCIAL CONTRACT

**The process of reimagining government starts with the social contract between government and citizens.** Governments face changing and growing demands and expectations from their citizens. There is an opportunity to reexamine what governments do for their citizens, and what citizens do for their governments.

**For a renewed social contract to be sustainable and effective, it needs to be supported by an elite bargain.** Power, authority, and resources that enable governments to function are typically concentrated in elites, not the broader citizenry, and therefore the deals reached by elites are critical for governments to deliver the social contract. For elite bargains to be developmental, it is critical that elites commit to outcomes that benefit the broader society and not just themselves.

There are four key questions that governments can ask themselves:

- **What is the Role of government?** What are the key outcomes that citizens wish to see and does the role of government align with their expectations? Or are governments doing too much or too little?

- **How can government Deliver?** If the government is the responsible actor for public service delivery, can it deliver on social outcomes with the resources available and with the support or allegiance of non-state actors (businesses, religious, or community-based providers)?

- **How can government be more Productive?** For those services that the government is responsible for, how can it use scarce resources effectively and will it have the capacity to satisfy citizens?

- **How can government build Trust?** Is the alignment of citizen-state bargaining and a stable social contract sufficient to create deep levels of trust towards government? What factors outside a government's control impact trust and how can it ensure a continued alignment of citizen expectation and outcome to maintain trust?

## AN URGENT JOURNEY TO DELIVER CHANGE

**We urge Governments to embark on an urgent journey to deliver change.** This will involve flexible, iterative change processes to set and achieve policy objectives and to solve persistent practical problems. The aim is to enable governments to navigate the complexity of governing by focusing on a limited number of challenges and issues at any one time, identifying trade-offs and making deliberate choices, and then taking action and making adjustments as needed in a complex and uncertain world.  Change cannot be achieved through one comprehensive policy process, it requires multiple processes happening at different levels, in different sectors simultaneously.

**This first step involves seeking, creating, and taking advantage of opportunities for change.** There are three dimensions to this.

- Firstly, this involves building the necessary teams, coalitions, and the authorizing environment to drive and enable change.

- Secondly, it also involves innovation and exploiting technology to address and where possible leapfrog problems. Innovation does not mean choosing the most high-tech solution but using available technology and capability in innovative ways to deliver change.

- Thirdly, we urge governments to proactively seek opportunities for using changing circumstances and crises as a fulcrum to advance change.

**Once the opportunity for change has been created, governments need to embark on the journey by:**

- **Plotting pathways,** which involves governments finding out where they are, identifying and prioritizing the key challenges and demands they face, and understanding their causes and sources. It then involves setting a destination that is both achievable and ambitious, plotting the potential pathways towards it, and then jointly decide on the destination and the route.

- Then, **taking steps** deliberately along the route, implementing actions to move toward the destination. They look and learn along the way. The journey will not go according to plan. When necessary – and it will be necessary – governments will need to be flexible, nimble and adjust the route.

## TAKE THE FIRST STEP NOW

**We conclude with an urgent call to action. The time to reimagine government is now.** With crisis comes opportunity; an opportunity for governments to change for good and tackle problems they have long neglected as well as those that are new.

**History has shown us that governments can successfully meet the challenges they face, no matter how severe – and change for good.** Change is possible, even in the most challenging contexts. There are people in every country and in every government who can and do use the power, influence and authority they have, within and outside formal structures, to deliver changes in government. Opportunities abound from new technologies and disruptive innovations, from changing circumstances, and from leveraging teams and coalitions and harnessing authority for good. Change is possible, even in the most challenging contexts. Governments must and will reinvent themselves again to meet the challenges of the 21ˢᵗ century.

**Reimagining government involves governments governing differently.** Regardless of the political system and distribution of power, government failures of the past indicate that many of these failings are rooted in problems of governance. We suggest that governments identify behavior that has contributed to past persistent failures and confine it to the past; and consider changing behavior in ways that addresses those failures and enables them to confront new and critical challenges, to become the Government of the Future. Setting a tone of consultation that comes from the top can be important, with leadership that is focused on identifying meaningful goals that resonate with citizens and prioritizing what realistically can be achieved. A key feature in ensuring realistic, achievable goals, is to bear in mind fiscal realities, available capability, and context. Setting a different tone is key to building trust and raising resources for government to play its role. Regardless of the level or sector in focus, governments will need to set their own destinations and plot their own pathways. To pursue change, a broad range of different coalitions and teams will need to be formed.

**Individuals and institutions outside government might consider how they could change behavior so that they can support the change in approach.** To do so they need to understand how they may have contributed to governments' challenges in the past. There is clearly a role for international partners, including the World Bank, to play in this process to support and strengthen these more inclusive locally led processes.

**Governments can take the first steps by starting with a conversation.** The entry points for taking action are multiple and varied. They will exist at the center of government, at local government, across sectors, or in a particular sector. It could involve convening a group of stakeholders in the education sector to tackle a learning crisis in schools. It could involve convening communities and local governments to discuss how livelihoods in rural and urban areas can be made secure. It could involve initiating conversations across rival communities. It could also involve a leader at the center

of a national government, or a local government convening their executive to reset and agree a handful of priority issues for that government to tackle as a whole. Then, together reexamine the social contract, understand the situation at hand, identify the critical issues to focus on, plot pathways, agree the route and act. The initial conversation that leads to action need not take months, it can take place over a few days, and be revisited again and again. While change can be rapid, the teams that drive change and the coalitions that support it need to be aware that change is more often incremental, takes time, and requires persistence and determination to deliver. Yet change is possible all the same.

**The journey starts with individuals, whether inside or outside government.** We ask you, the readers of this call to action, to reflect on where your government is, your role in the Government of the Past and your potential role in the Government of the Future, and how you can change behavior to support changing government for good. What part you can play in making this collective journey happen? With whom do you share interests? Whom can you influence? Can you start building a coalition for change? With whom could you have a conversation?

**We ask you to have that conversation today and take the first step of the journey now.**
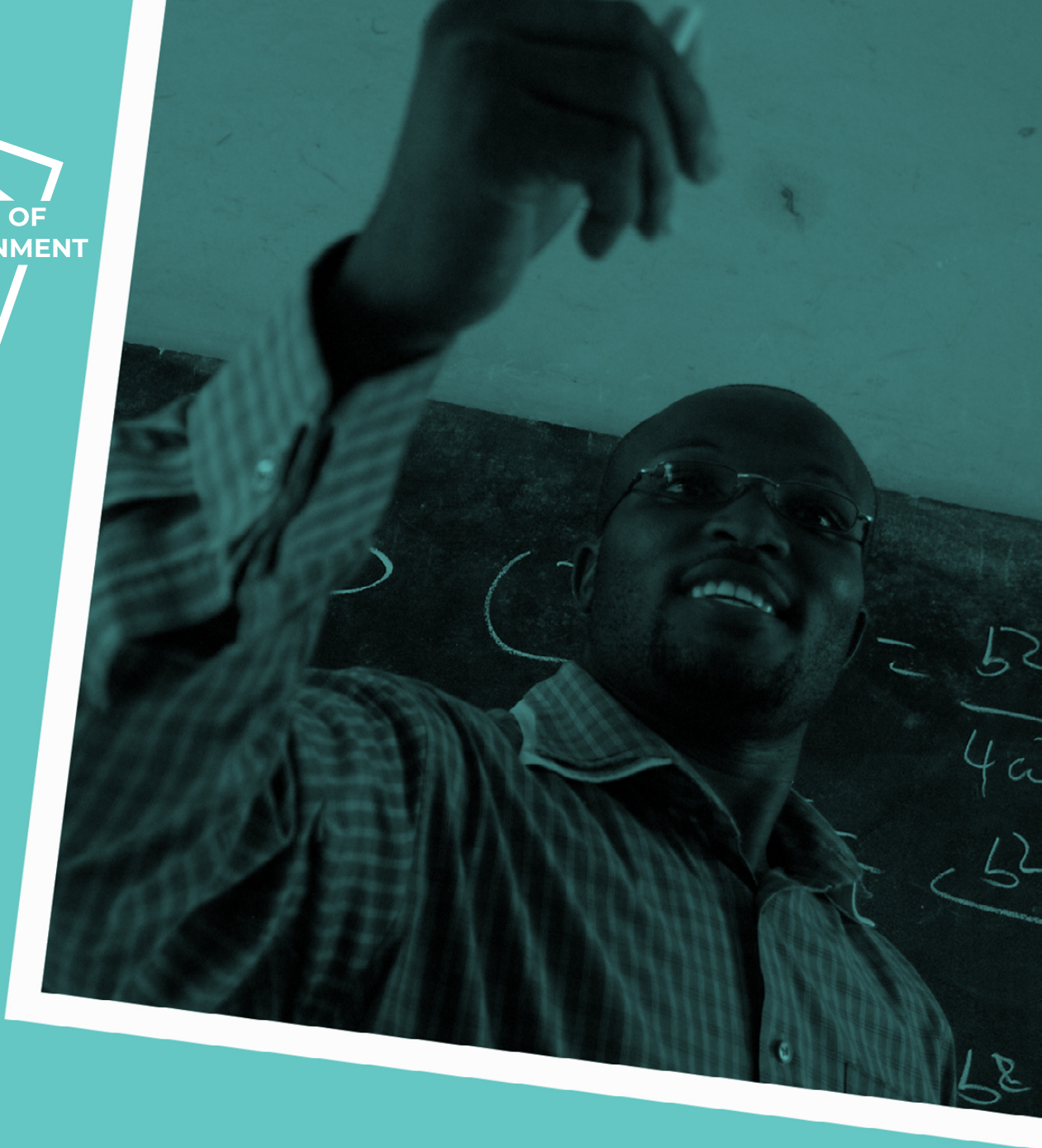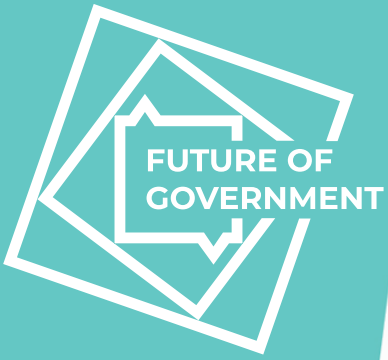
# INTRODUCTION

# WHY NOW?

**AN INFLECTION POINT**

**The world is at an inflection point. Globally, we face an unprecedented triad of crises that are testing the abilities of governments to respond with appropriate policies, delivery mechanisms and accountability – with limited fiscal resources.** The global COVID-19 pandemic continues to impact our health and our economies and has created fiscal challenges, a rise in global debt and potential for further economic slowdown (figure 1).[1] Second, climate change poses a potentially existential threat to the planet, and the costs of action and inaction are mounting (figure 2). And third, there is a rise in the number of active conflicts, which brings immense human suffering and destruction (figure 3 and figure 4).[2]

This situation presents us with two stark visions for our collective future:

- The first builds on the progress that governments made early in the 21st century to create a future where people across the world are more secure in their livelihoods, prosperity is shared by many, poverty is in decline, our planet's natural resources are used sustainably, and global warming is mitigated. This requires proactive government to address a number of challenges, including those that have long persisted.

- The alternative picture is a future that will involve increased uncertainty, inequality, poverty, and suffering exacerbated by global health challenges, climate change, and conflict. This vision is much more likely in a business-as-usual scenario.

**Prior to these crises, and since the beginning of this century, governments across the world made significant contributions to the progress of development.** By and large, governments reduced extreme poverty, helped to control inflation, enabled a technological revolution in mobile communication, reduced the incidence and lethality of communicable diseases, and increased citizens' access to basic services.

**Figure 1: In 2022, governments face the future with substantially higher debts; LIC governments have less to spend.**
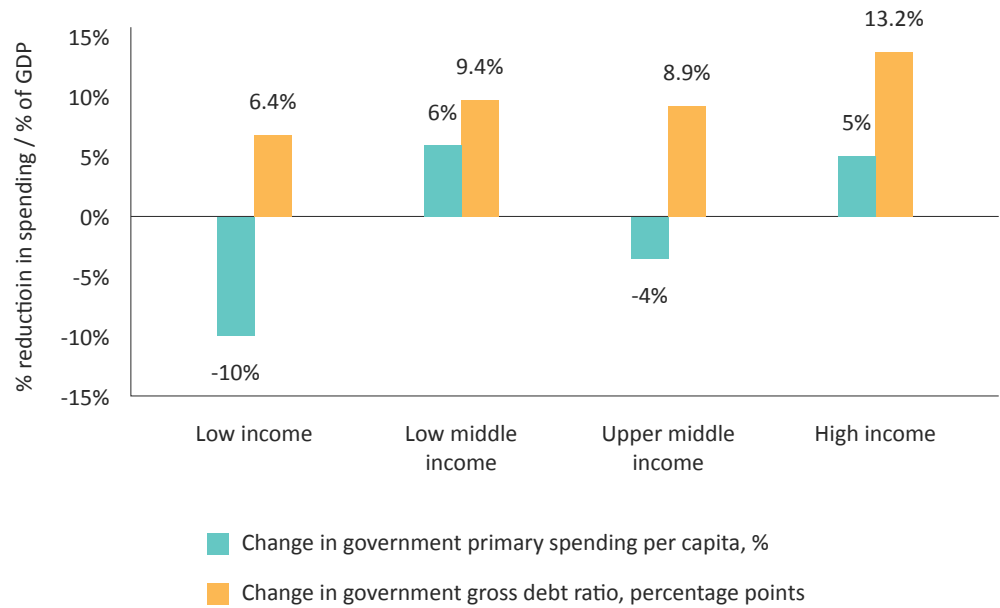


*Source:* IMF WEO April 2019 compared to April 2022, simple average of countries.

**Figure 2: The costs of climate change and weather disasters are increasing, and increasingly fall on emerging and developing economies (EMDEs).**
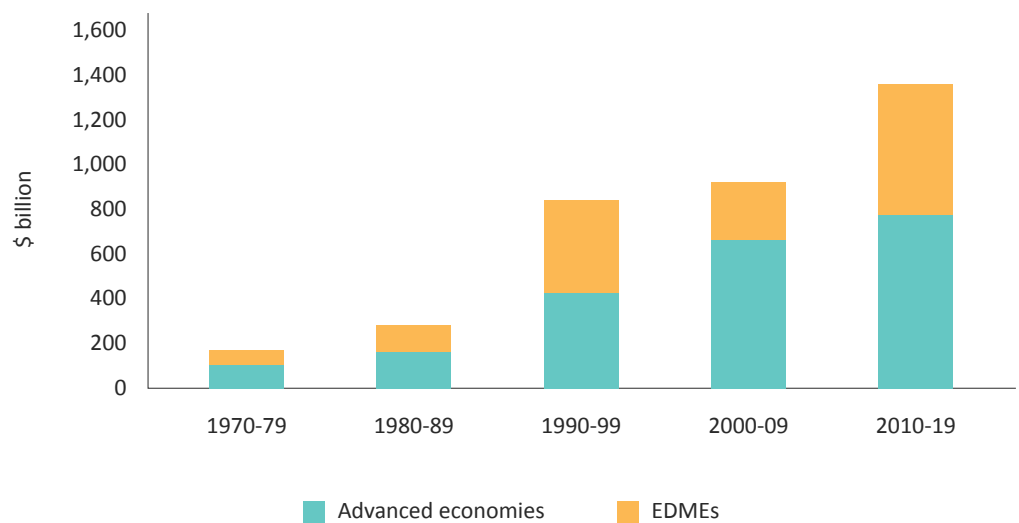


*Source:* EMDAT via World Bank GEP 2022.

**Figure 3: Fueled by recent conflict, food prices are unprecedented, and fertilizer prices are approaching their peak.**
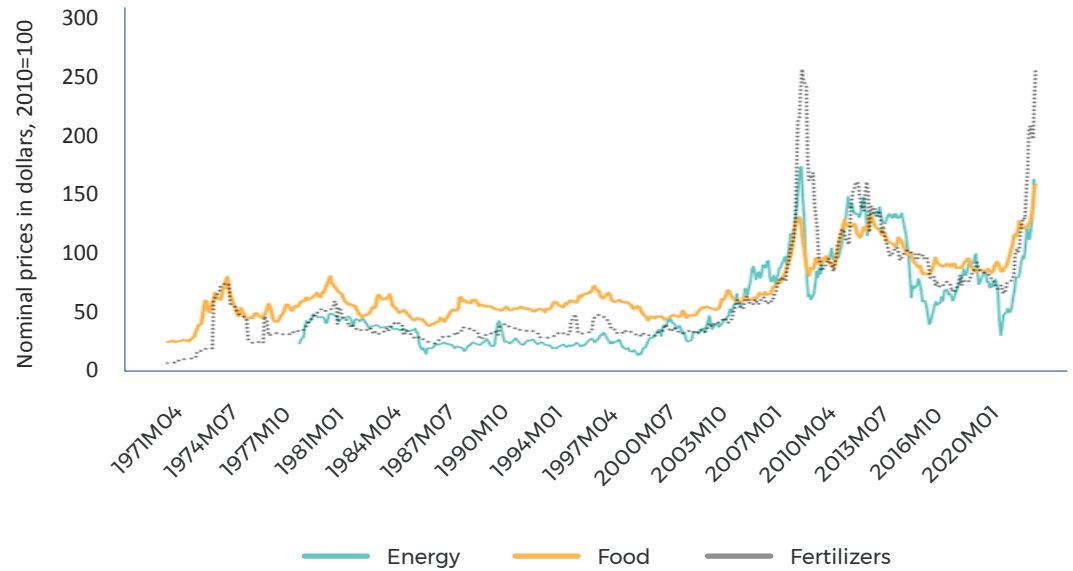


*Source:* World Bank Commodity Price Outlook, April 2022.

**Figure 4: Multiple crises have a prolonged impact on the extremely poor. Up to one-fifth more people live in extreme poverty in 2022 relative to pre-pandemic projections.**
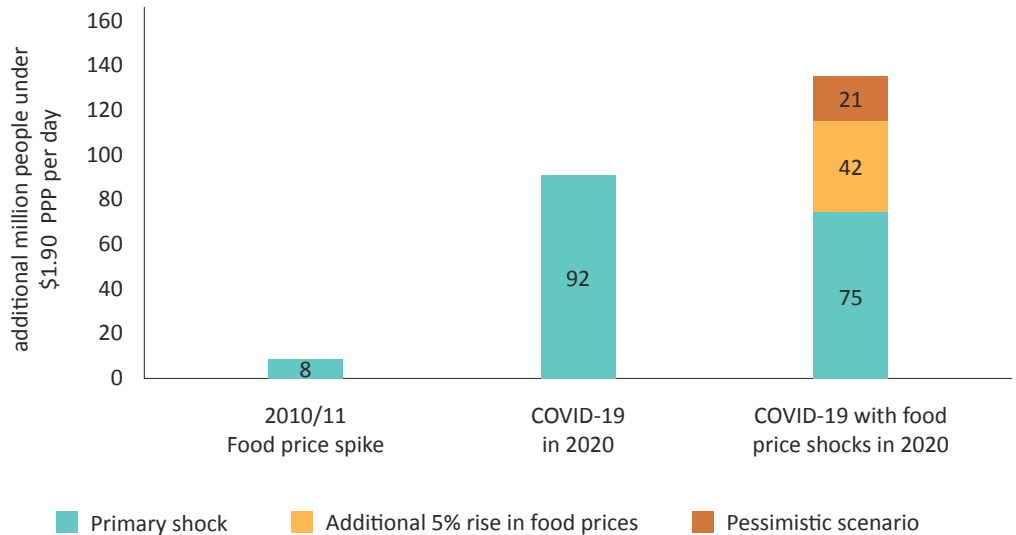


*Source:* IFPRI 2019, World Bank April 2022.[3]

**Yet, governments in many parts of the world remain challenged to meet the basic needs of their citizens and face unresolved governance problems.** They continue to struggle to improve the quality of services provided, create conditions for improvements in the security and quality of jobs and income, and build equity and social cohesion. Children are more often than not attending school, but often fail to learn. Accessing a government health clinic is often challenged by distance, opening hours and absenteeism, and healthcare providers often fail to diagnose and treat common illnesses. While social protection schemes have been rolled out around the globe, they are often insufficient to reach everyone, so peoples' livelihoods are often precarious and without a safety net. Most of these challenges are often rooted in problems of governance, where service providers are not given the tools and resources they need to deliver, and citizens are unable to hold service providers accountable. High levels of corruption and organized crime remain unresolved issues in many countries. These problems pre-date the onset of COVID-19 and climate change, yet they remain intransigent to many nations, and continue to be challenges for governments.

**The impact of the COVID-19 pandemic, the management of climate change commitments, and the rise in conflicts has redoubled the need for more effective government agencies, from central to local levels.** Government agencies, including local authorities and state-owned enterprises (SOEs), are taking on new responsibilities for policy making, regulation and service delivery; the pandemic in particular required governments to respond with agility – moving services online, creating home-based work environments for civil servants and developing national and local policy in coordinated ways to mitigate impacts on health and loss of livelihoods. The pandemic caused a health shock that also required governments to step up their regulation of society to introduce and enforce physical distancing as one of the leading remedies to prevent transmission, leading to a culture shock in many places as civil liberties and private freedoms were considered secondary to the need for collective action for the greater good. The economic shock that ensued also required a rapid expansion of state assistance, both for citizens and, in many cases, enterprises. The pandemic has also generated a revenue shock, and has forced governments to spend, ramping up their debt. The impact of COVID-19, climate change, and conflicts adds further strain on the social contract[4].

**By re-imagining themselves and undertaking a more prioritized, domestically led, and consultative approach to determining the development strategies of the future, we believe that governments can take a new opportunity to change for good.** One thing is clear: the actions that governments take in the months and years ahead will play a critical role in determining which vision of the future will be realized.

## GOVERNMENT OF THE PAST

**Blind to context • Uncertainty • Poverty Mistrust Resource depletion • Elitism • Inflexible Overreach • Global warming • Avoids change Insecurity • Corrupt Blames others • Inequality Broken promises • Delivery failure**

## GOVERNMENT OF THE FUTURE

**Adapts • Inspires • Shared prosperity • Trusted Climate change averted • Focus • Influences Productive • Deliberate choices • Clear direction Responds to demands • Secure livelihood Understands challenges • Prepared for crises Delivers • Seeks opportunities • Embeds crises**

### AN EPILOGUE TO THE GOVERNMENT OF THE PAST

**This flagship report, which looks at the Government of the Future, starts here with an epilogue for Governments of the Past. While the characterization is extremely general, it is likely to resonate with citizens globally:**

- We know that **Governments of the Past** could be blind to context, leave a history of broken promises, lurch from crisis to crisis, pander to and enrich elites, resist change, and are often mistrusted.

- By contrast, the **Government of the Future** has a clear vision of its role and is responsive to the demands of citizens; it can influence and deliver; it is innovative, productive, trusted, and prepared for crises.

**Contrasting directions of the future are set out throughout this report as a tool to stimulate thought and debate as the report is used in particular country contexts.** These are informed by what has been said in global conversations, the Future of Government debate series and through the gathering, organizing, and analysis of past evidence and research. Unfortunately, while we may all desire to consign the failures of the Governments of the Past to history, many of these failures persist. At the same time, many governments have previously displayed positive behavior consistent with what we envision for the Government of the Future. Given these realities, the intention is to highlight the types of behavior that governments need to leave behind and put forward the behavior governments could consider adopting in the future and work toward.

**Every country and government are different, and the Government of the Future will look very different from country to country; in each sector and at each level, so we lay out a framework for determining the future role of government.** This initiative acknowledges the importance of governments innovating and changing but emphasizes that there is no one-size-fits-all solution. Progress requires bespoke solutions, tailored to the local context, culture and capability. This initiative

acknowledges the vital importance of external accountability and the pressure exerted by citizens and communities for change (World Bank, 2004),[5] but emphasizes that governments themselves will need to address how and whether they will work to become more effective and more accountable.

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**Box 1: The Future of Government Initiative**

The Future of Government Initiative started with the premise that it is critical that governments across the world seize the opportunity presented by the combined crises of the COVID-19 pandemic, climate change, and conflict to confront the challenges of the past, current and future, and to change for the better. The Initiative aims to help nations' governments, at different levels and in different spaces, make more effective use of accumulated experience and knowledge to shape a better future for their citizens. The approach undertaken by the Initiative has three dimensions and a call to action:

- Initially, by convening a series of **conversations** on the Future of Government that ignited debates and discussed what good government could be. These conversations took the form of Disruptive Debates that occurred in 2021 growing out of an ongoing series of Outcome Conversations about how governments can achieve development objectives in specific areas. They are to be followed by Regional Conversations to discuss how governments may think about and act differently across the world. A series of World Bank blogs have been published alongside these conversations, reflecting on the themes and issues discussed.

- Secondly, through looking **back to the future** by investigating how the nature of governments have changed during the 21st century before and during the pandemic, how citizens' expectations and demands of governments have evolved, and how this might impact on the future of government.

- Thirdly, through preparing a **framework for reimagining government.** The framework builds on lessons drawn from the conversations and the back-to-the-future investigations to present an agenda on how governments might transform themselves from the Governments of the Past to become a Government of the Future. The framework is set out in this report and is supported by the Future of Government website, which also provides additional data, tools, and resources. A supplementary report is being prepared for international partners—including the World Bank—that sets out how they can support governments' that embark on this journey.

- Finally, by **catalyzing, inspiring and supporting governments to take action** to apply and adapt the framework, and to work with countries to initiate the processes for a journey toward the Future of Government.

The Initiative takes a deliberative, open-ended, and inclusive approach to encourage a broad range of voices and inputs.

Visit https://www.worldbank.org/en/programs/futureofgovernment for more information and follow the Initiative using #futureofgovernment on Twitter and LinkedIn.

**It is not just governments that need to change, but those that support them and engage in providing technical and financial resources for reforms.** The report is also intended to provide new guidance for those institutions that influence and support governments to delivery development outcomes. This includes international organizations such as the World Bank, which by identifying how they may have contributed to past government failures can also revisit how to support reformers differently.

**THE INITIATIVE**

**This Future of Government Initiative started with a conversation and a series of debates with government and non-government leaders** (see box 1) **that have provoked new ideas on what is important to citizens.** A series of disruptive debates, blogs, and articles were used to reflect on how governments are, and could be, responding to the changing world. The debates offered insights on how to engage with reformers and influencers in the World Bank's client countries. Debates were conducted during the peak of the COVID-19 pandemic and at a time when the news was increasingly dominated by the problems of global-connectedness and contagion challenges caused by the pandemic. Climate-related challenges and extreme weather crises were on the rise, and there was a rise in inter-state and intra-state conflicts around the world; including those in Afghanistan, Ethiopia, Mali, Ukraine, and Yemen. Through the discussion series, global thought leaders and influencers put forward their ideas and suggestions on the most pressing agendas for policymakers in low- and middle-income countries. These ideas and suggestions are not just limited to tackling new issues but deal with persistent challenges such as corruption, poor quality of government-provided services, exclusion, and unresolved grievances.

**Ultimately, the Future of Government Initiative hopes to catalyze, inspire, and support governments to take action by applying and adapting a new framework for future policy-making.** The Initiative wants to work with countries to initiate processes for reimagining themselves and embarking on a journey toward the Future of Government.

**A GUIDE FOR GOVERNMENTS**

**This report is a guide for governments and non-governmental actors to reimagine the role of the State in formulating policy, providing regulation and delivering services for development outcomes.** It is provided as inspiration to seek solutions that fit their capability and context and to take those important initial steps to create change and guidance on how to embark on a country-specific process. It is targeted toward reformers inside governments, at any space and level, as well as those who aim to influence governments from the outside. The report is structured in two parts:

- Part 1 provides a **brief history of government success and failures,** summarizing major trends in the performance of governments and the challenges they face and how these vary, using data and evidence available with a focus on the more common functions of government, World Bank clients' experience, and the extent of effective performance from the perspective of the poor.

- Part 2 sets out the **framework for reimagining governments,** which involves reviewing and renewing the social contract between government and citizens; creating and taking opportunities for change; and embarking on an urgent journey with more attention to governance failures. This involves posing a series of questions and identifying trade-offs and choices that can be considered by reformers and influencers in trying to shape future governments.

The report concludes with a call to action for those working in government and those seeking to influence government for the better, to start building coalitions for change, now.

**While the report draws from evidence and expertise, it is not a comprehensive study on all the potential aspects of the past successes and failures of government and does not seek to prescribe the future role that governments *should* play.** In fact, it doesn't provide a menu of solutions to

long-standing or new government failures or development problems at all. What it does is set out an approach, whereby reformers and influencers can engage, refine the role of governments, their objectives and actions in ways that are context-specific, tackle the challenges that citizens face in their daily lives, and create new solutions from within.

**The report attempts to provide signposts toward different options available to governments, but it does not prescribe them.** If it appears to promote a specific solution, system, or form of government, or appears subjective, this is not intentional. Yet, as with any report, readers may disagree with what has been included and what has been omitted. The report is intended to be accessible to a broad range of interested readers and therefore its content may appear familiar or obvious to some, while it may be new to others.

**There are no easy answers to the questions raised here; the pathway to a better future depends upon a nation's particular situation, its people, its resources, its challenges, and its opportunities.** By raising the issues all governments face and providing a method for assessing how governments can best address them, the Future of Government Initiative seeks to promote an open and inclusive dialogue about the future, helping to build coalitions and catalyze action.

PART 1:

# A BRIEF HISTORY OF GOVERNMENT IN THE 21ST CENTURY

# 1.1 CONSIDERABLE SUCCESS

How have governments fared in the 21st century? This first part of the report looks at a selection of major trends in government's role and achievements and challenges across the main functions: macroeconomic stability, fiscal management, health, education, water and electricity service provision, and redistributing wealth to reduce poverty and inequality, to frame the challenges, conundrums, choices, and opportunities governments now face.

**In the first two decades of this century, governments across the world have contributed often with considerable success, to progress in development from securing macroeconomic stability and poverty reduction to access to basic services and technology.** They have helped establish macroeconomic stability and enabled relatively inclusive economic growth that has helped to lift millions out of poverty. Governments have expanded access to basic services in the education and health sectors, and enabled the adoption and roll-out of technologies that have enhanced wellbeing and access to services. Governments have also managed to address unforeseen natural and economic crises during this time. Governments have regularly been successful.

## GROWTH, INCREASING INCOMES, AND POVERTY REDUCTION

**Almost everywhere, governments improved their macroeconomic discipline and fiscal management, which helped keep price inflation in check and in turn provided the foundation for more sustained economic growth.** Annual inflation rates in the 10 percent of countries with the highest inflation rates fell from an average of 77 percent in the 1990s to 8 percent in the 2010s, underpinned by independent central banks and greater fiscal discipline. Growth in the 2000s was steadier than in the 1990s, although growth slowed after the 2007 global financial crisis. The global financial crisis prompted governments to support the financial system through rapid policy innovation, which prevented a deeper recession (World Bank 2020, Tooze 2018). Until March 2020, many governments struggled with a lower growth but largely macroeconomically stable global environment. Nonetheless, poorer countries were beginning to catch up with the rich in GDP per capita terms (Patel, Sandefur and Subramanian, 2021, Kremer, Willis and You, 2021).

**On average, global per person national income grew and poverty was reduced significantly, at least up until the point that COVID-19 arrived.** Per capita economic growth has been significantly associated with poverty reduction and institutional development. Between 2000 and 2019 real GDP per capita in PPP terms more than doubled, with LICs increasing from $999 to $2,057 (World Bank, 2020; World Bank Open Data, 2021). Globally, poverty rates (measured at $3.20 PPP a day) fell from 49 percent in 2000 to 23 percent in 2018 (see Figure 5) (World Bank, 2020).[6] Every region of the world except the Middle East and North Africa (MENA) had reduced poverty rates by 2020

compared to the early 2000s.[7] Wealth accumulation in LICs and LMICs between 1995 and 2018 has been underpinned by increasing human capital, thanks partly to government investments (World Bank, 2021). While governments played their part through conducive economic policy, regulation and public investment, the commodity price boom of 2001–2011, a rebound from deep recessions in the 1990s, and multilateral debt relief also contributed towards this progress in per capita income growth (Steinbach, 2019).

**Figure 5: Poverty headcount at $3.20 PPP per day has been reduced, although progress has slowed.**
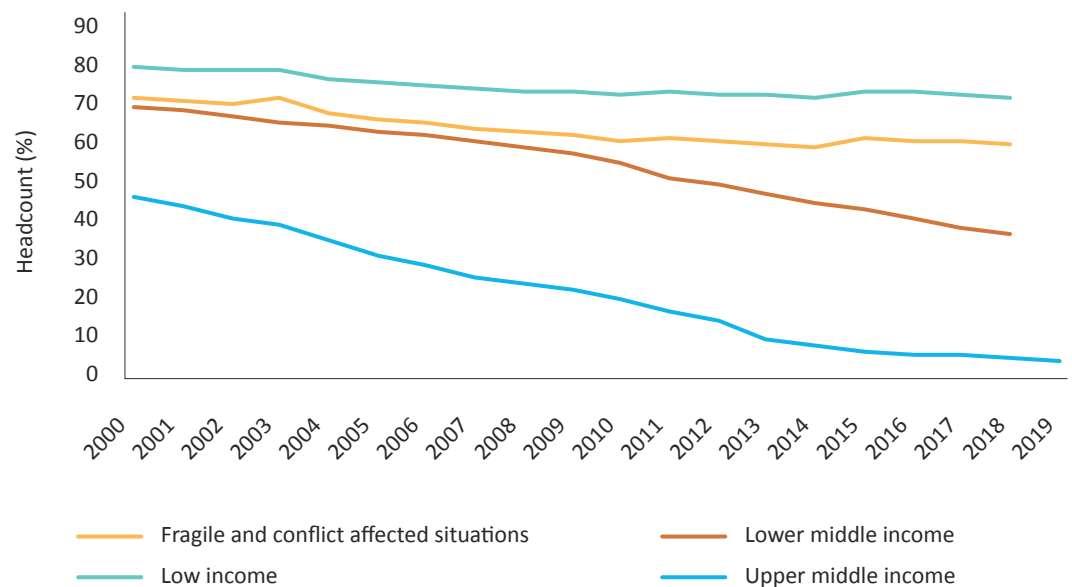


*Source:* World Bank.

**EXPANSION OF BASIC SERVICES DELIVERY AND IMPROVING HEALTH OUTCOMES**

**There has been progress in building human capital, with access to basic services in health and education expanding.** Service provision has progressed towards universalization in health and education even at low levels of national income. Changes in the Human Capital Index between 2010 and 2020 show that most countries improved in the 2010s, with countries at the lower end of the index improving faster[8] (World Bank Databank, 2020).

**There have been rapid improvements in health outcomes.** Global average life expectancy increased from 68 years at birth in 2002 to 73 in 2019 (Figure 6). Infant mortality fell from 5.3 percent in 2000 to 2.8 percent by 2019, and maternal mortality from 0.34 percent to 0.21 percent per live birth, and immunization coverage improved markedly relative to the 2000s (Figure 7).[9] In some cases, governments in low-income countries helped deliver affordable, credible plans of targeted health interventions, including vaccinations, uncomplicated treatments, and cost-effective non-professional health extensions, partly by strengthening existing government systems in partnership with other actors. Around 340 million fewer people are without access to safe water (World Bank Open Data, 2022) and the share of people without sanitation fell from 54 percent to 22 percent (UNICEF and WHO, 2022).

**Figure 6: Life expectancy at birth and primary school completion has increased.**
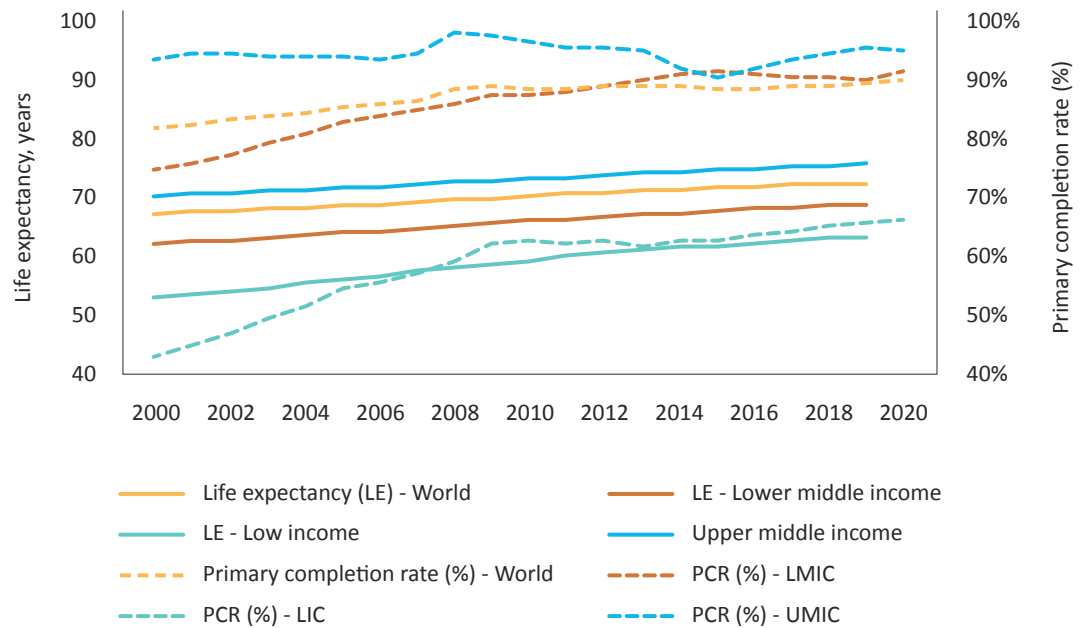


*Source:* World Bank.[10]

**Figure 7: Governments are delivering far more basic services.**
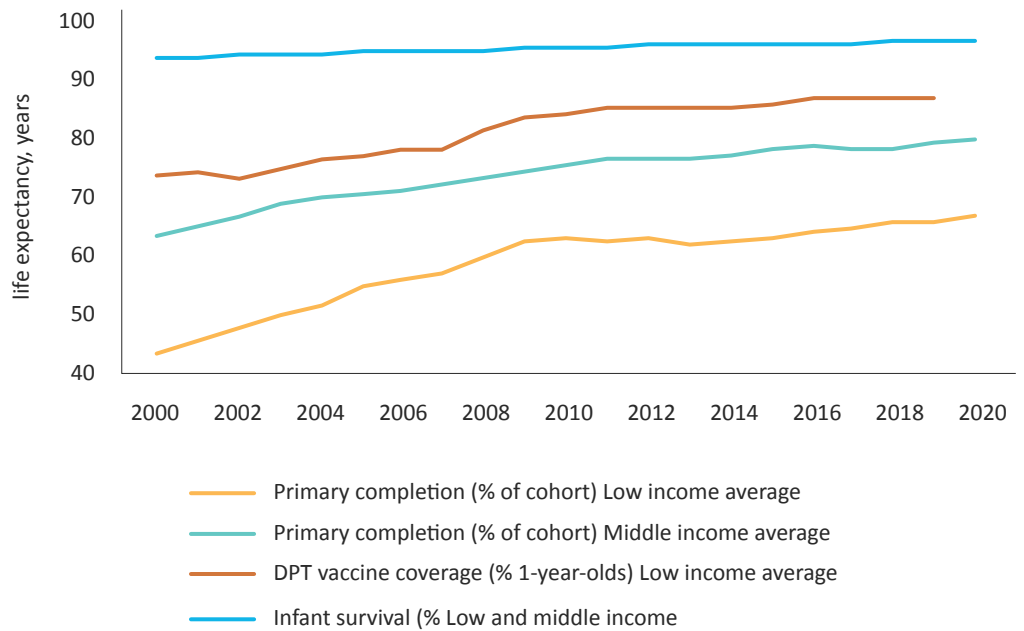


*Source:* World Bank.

**In education, governments improved access to schooling, often introducing free basic education, recruiting teachers, and building schools.** Access improved for girls and rural populations. The latter often have higher poverty rates yet outsized political and cultural influence, for example in Mongolia (Fritz, Levy and Ort, 2014), Iran (Lob, 2021), and Thailand (Walker, 2012); while attitudes to girls' and women's roles improved in many societies (WVS, 2022). This has led to increased primary completion rates, which rose globally from 82 to 90 percent from 2000 to 2020 (World Bank Databank, 2020) and improvements in gender equity for access at secondary and primary education and with the primary and lower secondary completion rates near parity (World Bank, 2020). Pre-COVID, there have been modest education quality increases in many countries.[11]

**Alongside this expansion, governments have implemented innovations in public sector service delivery, with success in some contexts.** Agency delegation, contracting out, delivery units, innovative financing, performance-based management, and output-based payments can all drive performance improvement. E-innovations in government have allowed for better, more timely and efficient service delivery in some areas. Providing at-distance government services can reduce delivery costs and reduced opportunities for corruption. It can increase public service access and quality without a costly civil servant hiring surge. Back-office solutions to public sector payroll, procurement, and public financial management can improve efficiency. E-government infrastructure adoption also appears to be associated with increased probity (World Bank, 2017).

**Governments expanded investments in physical and human capital during the 2000s in lower income countries (LICs) and lower middle-income countries (LMICs).** This included government investment in energy and transport infrastructure, as well as health and education services. Led by improvements specifically in Bangladesh and India, more than 1.4 billion people globally benefitted from increasing rates of access to electricity between 2000 and 2019. Access to electricity increased from 78 percent in 2000 to 90 percent in 2019. Road quality also increased between 2007 and 2017, and the quality gap narrowed among country income groups (WEF, 2017). Low-income countries infrastructure quality is catching up to the rest of the world (WEF, 2017; Hallegatte et al., 2017). Government expenditure on education as a share of government non-interest spending rose in low-income countries from 15 percent average in 1999-2001 to 18 percent in 2017-19, against a small average fall for the health spending share in LICs and LMICs (Barroy and Gupta, 2020, WHO, UNESCO[12]).

**Government regulation and policy toward ICT infrastructure has also been positive and facilitated the rapid increase in access to and reduced costs of mobile phone usage and access to the internet (predominantly through smart phones), which has been a key success story.** Mobile telephony changed the game, from a natural monopoly to an easily manageable and valuable competitive space. Mobile phone subscriptions per person rose from 0.12 in 2000 to 1.06 in 2020. Internet use rose from 7 percent of the population in 2000 to 51 percent by 2018, as seen in Figure 3 (World Bank Databank, 2020) and the cost of data has plunged. Such rapid increases in coverage and plunging unit costs of data (A4AI, 2020) have been helped by permissive entry policy.

**The rapid expansion and access to mobile technology has also facilitated greater financial inclusion.** Mobile money transactions in sub-Saharan Africa were equivalent to 25 percent of aggregate GDP in 2020, with a billion active accounts worldwide (GSMA, 2020; World Bank, 2019). This increased financial inclusion is associated with increased resilience to income shocks in Kenya (Jack and Suri, 2014), reduced payroll management costs and increased savings in Afghanistan (Blumenstock, Callen, and Ghani, 2018), increased school enrolment, and reduced remittance charges (Suri and Jack, 2016). Government regulatory authorization in key industries unlocked private sector potential elsewhere, such as in the use of off-grid solar energy for relatively low and falling costs.[13]

**Despite the lack of a new global trade agreement, national governments helped enable the deepening of trade,** which increased from 51 percent to 60 percent of aggregated GDP between 2000 and 2018 (World Bank Databank, 2020). Container shipping volumes increased 3.5 times to 2019 (World Bank Databank, 2020).

**Government-provided social safety net coverage has increased rapidly, particularly in MICs, including children and the elderly** (World Bank, 2020). Ten Sub-Saharan African (SSA) and 13 Latin America and Caribbean (LAC) governments implemented safety nets at scale, contributing to reducing poverty headcounts at $1.90 PPP by five or more percent in 2013-2019[14].

**RESPONDING TO CRISES**

**Following the 2009 global financial crisis, governments of richer countries strengthened regulation of the financial sector to improve the resilience of the global financial system.** This increased resilience to future shocks, including COVID-19. While some countries proactively prepare for risk, many others have developed few new policies or structures that support preparation for economic or natural shocks. Disaster readiness and resilience were shown to be possible at relatively low levels of GDP per capita, as demonstrated by Georgia, Kyrgyzstan, and Suriname (Notre Dame Global Adaptation Index, 2020). Many East Asian countries have higher national public and private savings rates,[15] often as a result of government policy,[16] which help cushion against economic shocks.

**The COVID-19 pandemic has shown, in several countries, that it is possible for governments with capable institutions to act decisively and successfully in response to sudden demands.** Several governments, including in low- and middle-income contexts were able to establish effective coordination mechanisms and to break down organizational silos and used the crisis as a catalyst for better management in the public sector. Some governments learned to be more transparent, to communicate more effectively, to be flexible and to adapt rapidly to changing situations (Davenport et al., 2020). In Colombia and Pakistan, for example, the governments quickly introduced and tested new ways of working, using existing and new technology in innovative ways and changing power relationships to get response and recovery done.[17] Vaccine development and roll out was an example of partnership between government and the private sector which delivered successfully, albeit mainly for wealthy countries. There was significant innovation in social protection measures, where over 1,500 interventions were added or deepened worldwide during 2020 and 2021 (Gentilini et al., 2022).

**There has also been some progress in tackling climate change, but not enough.** The Paris Agreement committed 196 countries to hit "climate neutrality" by 2050 and limit average global warming to below 2 degrees Celsius (UNFCCC) and preferably to 1.5 degrees. While announced measures and action fall short of achieving these goals, subsequent international agreements in the context of the Paris framework have continued to keep these targets alive and policies and plans underpinning them are increasingly specific. Meanwhile, there has been a steady reduction on carbon dioxide density per unit of GDP (World Bank Databank, 2020), continuing a trend from the 1960s, and the pace of growth of overall emissions has been slowing (World Bank Carbon Dashboard, 2022).

**Figure 8: The 2000s was a period of relatively few direct deaths from conflict.**
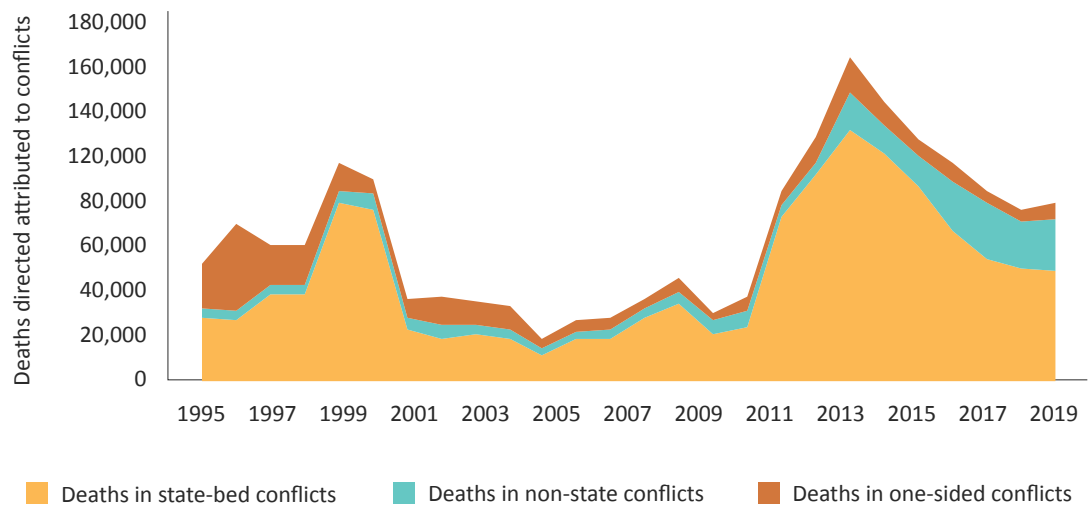


*Source:* Uppsala Conflict Data Program and Peace Research Institute Oslo (UCDP & PRIO) via Our World in Data 2021.

**The 2000s was also a relatively peaceful decade, with peace established and maintained in several countries. Data suggest that the incidence of direct conflict deaths decreased in this decade in Latin America, Asia, and sub-Saharan Africa, even as the war on terror raged on and the number of conflicts didn't decrease (UCDP in Our World in Data, 2021).** Coups d'états have become rarer in the 21st century (Desilver, 2017). However, indirect human and economic impacts remain severe (World Bank, 2018, Mueller and Tobias, 2016). Nevertheless, some countries have maintained progress on the precarious path toward durable peace during the 2010s, such as Sierra Leone, Somalia and Timor-Leste; such countries have often secured rapid reductions in extreme poverty (World Bank, 2020).

# 1.2 PERSISTENT PROBLEMS AND RECENT REVERSALS

**Despite these major achievements, there are persistent development challenges faced by governments.** Many of these are rooted in issues of governance and ineffective government, and additionally the crises have reversed some of the positive progress.

## INEQUALITY, INSECURE LIVELIHOODS AND INCREASING POVERTY

**Despite the progress in poverty reduction and the roll-out of social safety nets, inequality in global income and wealth distribution have increased over the past two decades** (World Inequality Lab, 2022). While rapid globalization, innovation, and limited government regulation have enabled economic growth, they have also contributed to increased global inequality in the sense that the very rich continue to pull ahead of the rest (Blanchet, Saez, and Zucman, 2022). Government redistributive policies have typically not incorporated taxation of wealth for example. Inequality itself has become a source of citizen unrest and frustration. In some countries, a modest increase in prosperity has cemented the position of narrow elite coalitions, whose action (and inaction) close off paths to economic transformation for others (Pritchett, Sen, Werker (eds.), 2018), as disproportionate asymmetries of power (World Bank, 2017) feed through to asymmetries of wealth. Economic growth slowed following the global financial crisis, which followed prolonged financial regulatory failures in Europe and the United States. Government interventions at the time did little to ameliorate perceptions of economic injustice (Tooze, 2018). Since 2010, worldwide progression of countries from low- to middle-income status has slowed to a crawl[18].

**Effective safety nets[19] are absent in many countries.** While evidence concludes that non-contributory cash transfers reduce poverty (Bastagli et al., 2016), coverage of the poorest remains low globally (World Bank 2018), particularly among working-age poor households in SSA (World Bank 2018). Generous safety nets are expensive for governments; coverage, efficiency and pro-poor targeting vary across countries.[20] In most LICs and many MICs, citizens face increasing levels of vulnerability, which was apparent even before the pandemic. Despite greater global prosperity, the share of people worldwide reporting that they had run out of money for food at least once in the last year, rose from 29 percent in 2006 to 35 percent in 2019, rising a little to 36 percent in 2020 (Gallup, 2022)[21]; the share rose in every region except ECA. Households in LIC and LMIC countries are particularly exposed to fluctuations in food prices (Ha et al., 2019).

**Figure 9: COVID-19 is estimated to have pushed extreme poverty back to 2017 headcounts.**
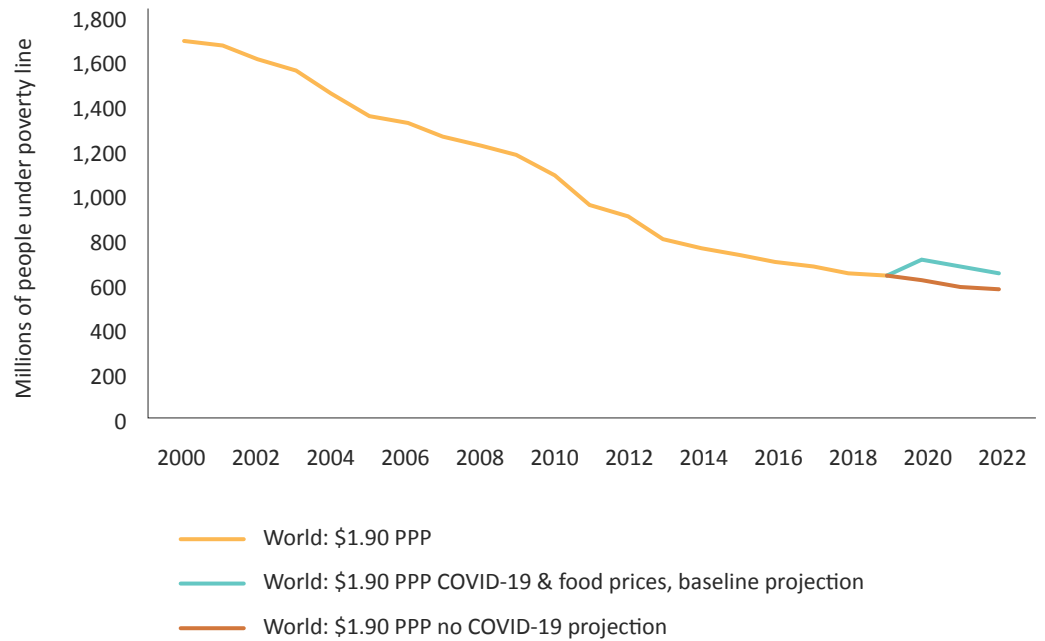


*Source:* World Bank Poverty and Inequality Platform 2022, World Bank 2022.

**Figure 10: Poverty has declined regardless of which international line is chosen, but the majority of people in SSA remain below the higher $5.50 PPP poverty line.**
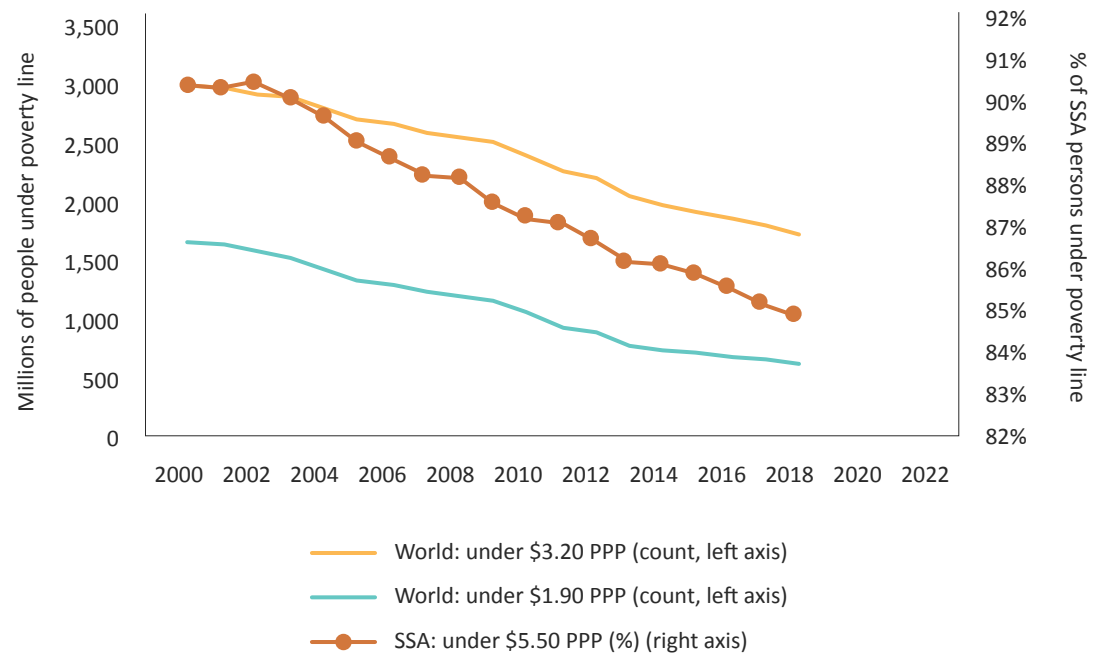


*Source:* World Bank PIP 2022.

**COVID-19 has plunged an additional 92 million into extreme poverty in 2020 (World Bank April 2022 estimate), and cost of living pressures in 2022 have further exposed the vulnerability of people's livelihoods worldwide.** Poverty rates have increased in emerging economies since 2019, reversing up to five years of progress, and poverty at $5.50 PPP per head remains the default for most people in SSA and 43 percent of people worldwide (World Bank, 2022). Supply shocks from COVID-19 and the war in Ukraine, in common with previous large-scale food price shocks, have had a global impact on the cost of living, which disproportionately affects the poor (World Bank, 2022).

**Despite steadier pre-pandemic GDP per capita growth, households struggled to prepare financially for uncertainty.** Pre-pandemic, in LICs and MICs, households took advantage of new technologies such as mobile money to save more (Jack and Suri, 2014) and transfer resources within their social groups, but resilience for these households ultimately relies on a national exit from very low average income levels. In the absence of effective public sector interventions, most households in LICs need to wait for economic growth to pick up again.

**Generally, although exceptions do exist, governments in charge of economies based on natural resource endowments have not been able to translate their natural wealth into resources for development.** In poorer countries, governments struggle to transform resource exploitation into broad-based prosperity, often exacerbating existing governance failures by providing a profit stream which sustains an unaccountable elite (World Bank 2021, and for example de Waal, 2017). Many countries have not witnessed an increase in agricultural productivity[22] and are, at best, on a gradual course toward industrialization (Diao, Macmillan and Rodrik 2019, World Bank, 2017),[23] with stagnant manufacturing shares of GDP in many developing countries, including in economic success cases such as Ethiopia, Senegal, and Tanzania. Urbanization is proceeding rapidly, but often takes place without socioeconomic dividends (Gollin, Jedwab, and Vollrath, 2016).

**There has been little progress on governments creating environments for improving quality or security of jobs.** Government action falls short of citizen expectations on contributing to the conditions for good jobs. Lack of regulation contributes to harmful workplaces and resulting economic losses.

**Figure 11: Citizens in SSA countries think governments are handling jobs poorly.**



% satisfied/very satisfied with government handling of …
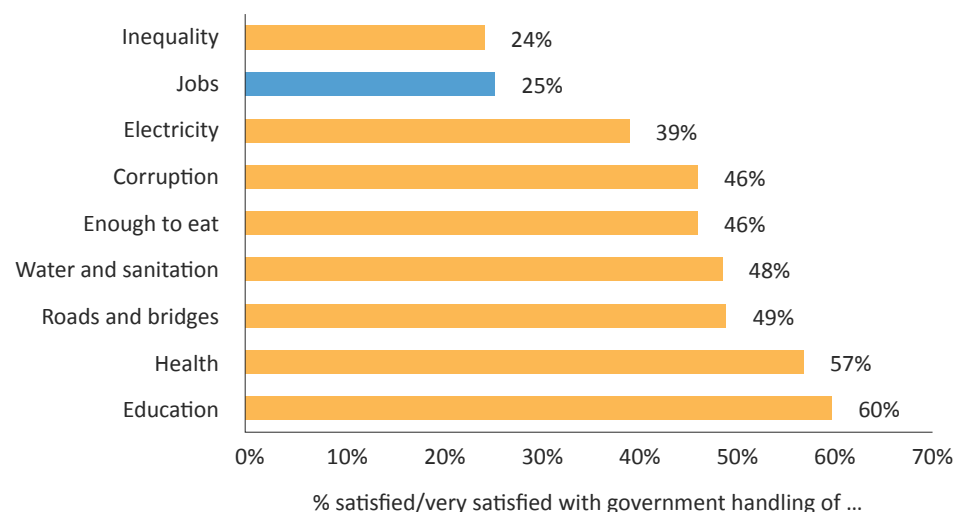
*Source:* Afrobarometer, 12 countries present in all waves, 2018/19 except electricity 2014-2016.

**Figure 12: Worldwide work resulted in high levels of serious harm in 2019.**
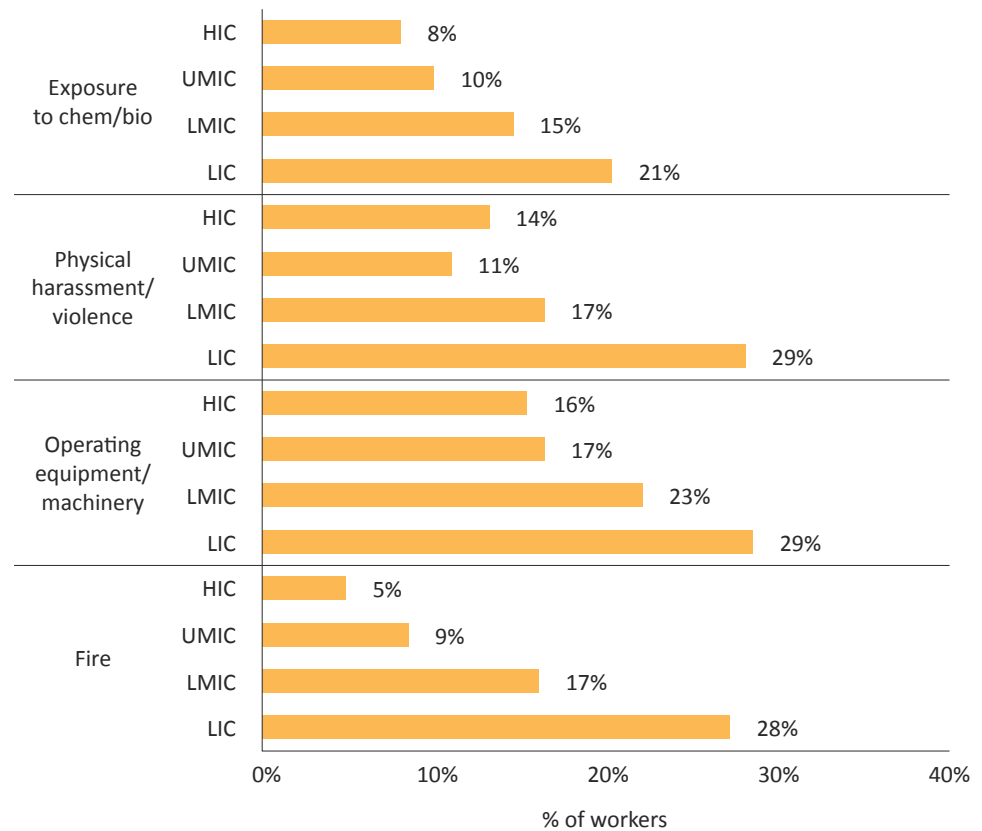


*Source:* Gallup World Risk Poll 2019. 106 countries. Workers who were harmed in past two years or knew someone harmed, by cause. Current workers. Simple average across countries.

19 percent of employees are paid at or below the national minimum wage. Over 60 percent of the world's workforce is informally employed; over 700 million people are employees but not treated as such (ILO, 2020). In many large-population countries, shares of informal employment barely changed since 2000 (ILO, 2020). Among the biggest socioeconomic opportunities is securing a better deal for women (World Bank, 2018b). Led by South Asia, female labor participation fell since 2000 (Figure 13).

**Figure 13: Female labor participation has fallen since 2000.**
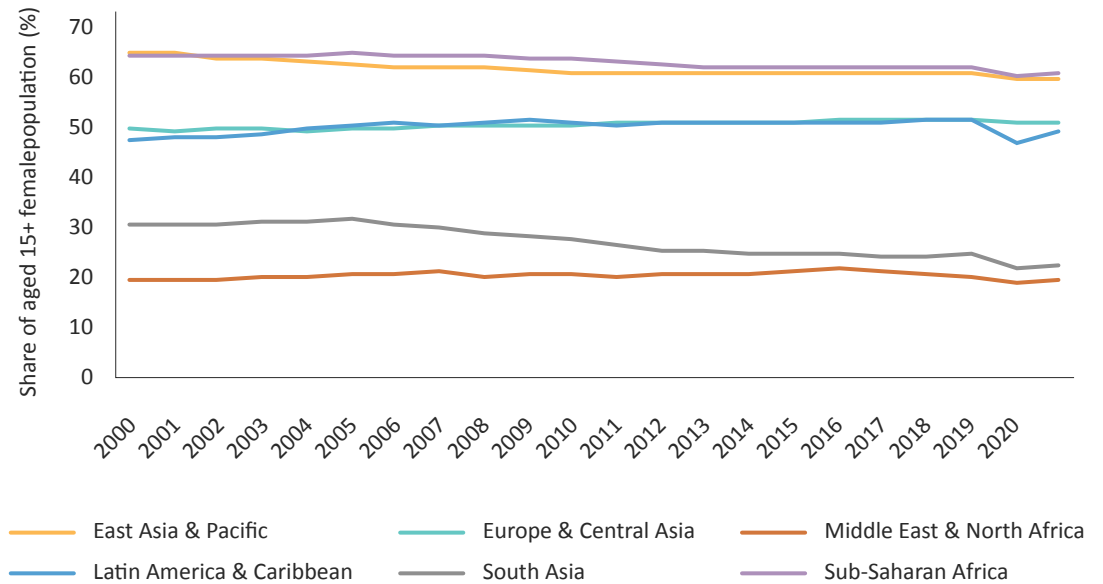


*Source:* World Bank 2022.

Total fertility rates, which tend to fall where women have more power, remain above four in 35 countries in 2020. Gender gaps in employment persist[24], even within governments: among 35 mostly rich reporting countries, the median female wage penalty in the public sector averaged 17 percent in 2016-18 and increased in 11 countries between 2005-07 and 2016-18 (World Bank, 2022e). Despite shifts in social attitudes over the past 20 years, norms and beliefs often play a constrictive role (Figure 14).

**Figure 14: Damaging attitudes to women's right to work and lead persist in a large share of the population.**
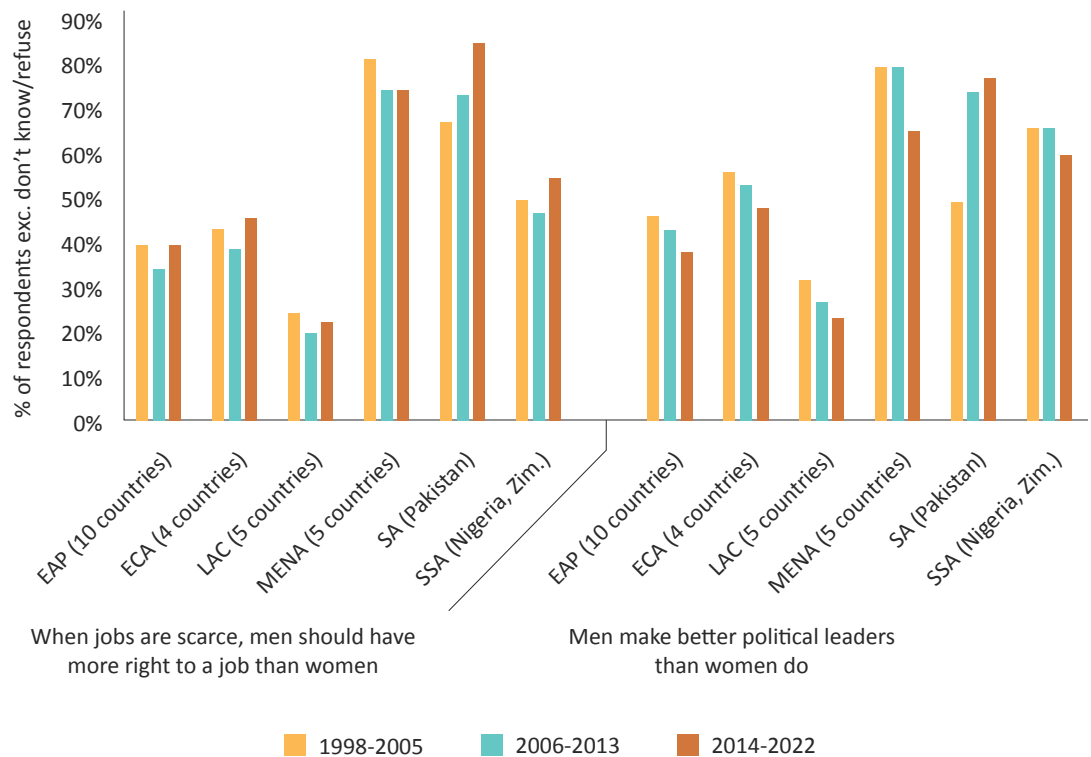


*Source:* World Values Survey. Includes only countries with a survey each time period. Pattern above is representative for South Asia countries without surveys each time period; levels are lower in many ECA and SSA countries without surveys in each time period.

**Underlying labor market failures and disparities are many missing services and enabling interventions,** such as early childhood care and development, active labor market policies, better information on jobs, conducive regulations, and effective job-oriented vocational education.

**Regulation is often underdeveloped, underused, or not enforced, yet it has the potential to unlock economic and societal potential.** In many LICs and MICs, regulators are often predatory and partial to elites, and regulations are selectively applied. Progress on export and import licensing, construction permits and starting businesses (areas where wealth can be created for concentrated constituencies) has improved on paper, but in countries where rules and practices diverge, progress has often been entirely different in practice, and regulatory authorization remains selective and personalized rather than impartial (Andrews, Pritchett, and Woolcock, 2017). Organizations owned by elites are often able to secure tax exemptions and other exceptions to the rules. Since bureaucrats in many low-accountability systems often act as private entrepreneurs, regulations and laws are not applied impersonally. Often, regulation of powerful factions is not politically feasible[25] and sustained regulatory effort is technically difficult for weaker states. Furthermore, government regulation suffers from a lack of salience: its potential is often unnoticed, and potential beneficiaries from reform are often diffused and disorganized. Citizens find it difficult to judge good regulation unless the realization or mitigation of risks is demonstrated by an actual crisis. Often, governments that cannot or do not provide services, also struggle, - or neglect -, to regulate key markets including agricultural inputs,[26] food safety,[27] and potable water[28]. They also struggle to communicate effectively with the public[29].

**Although access to services has dramatically improved, the quality of those services has not – this is found particularly in the case of human development.** Quality has improved at a slow pace from very low levels (as shown in the education sector by World Bank/UNESCO Learning Poverty measures).

**Figure 15: Learning poverty by country, sorted by GDP per capita (Lowest GDP per capita leftmost).**
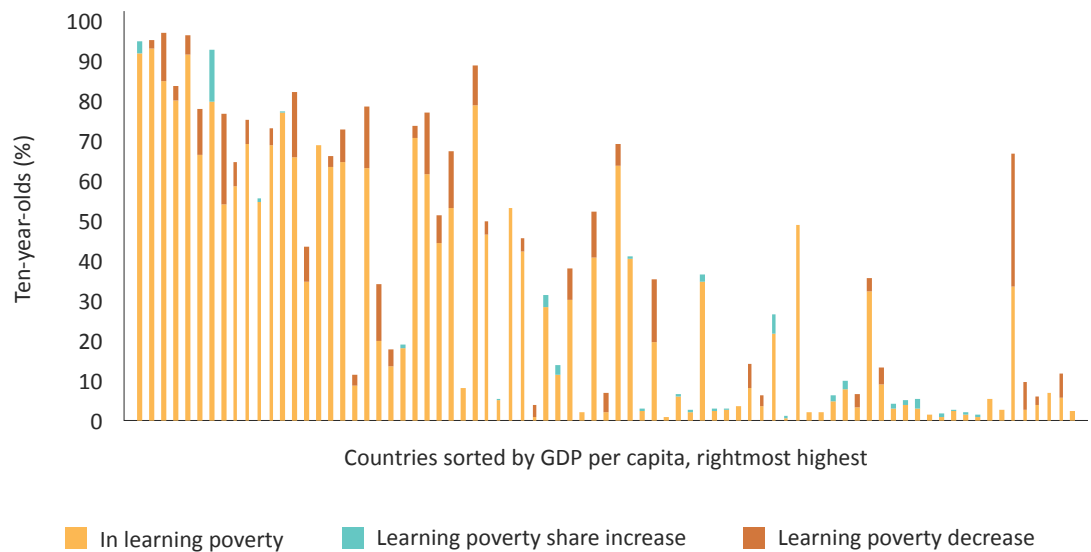


*Source:* World Bank, July 2021 database. Earliest and latest measure (mostly 2010s) compared. Changes of less than two percentage points not graphed.

At age ten, 90 percent of children in Ethiopia, 75 percent in Pakistan, 55 percent in India, and 50 percent in Brazil are unable to read a simple text (Figure 17). Despite decades of effort, improvements in learning have often been desperately slow or have even been reversed, and very low levels of learning are the default for even the richest households in LICs, many LMICs, and some UMICs (World Bank and UNESCO, 2021; Le Nestour, Moscoviz, and Sandefur, 2021). Access to pre-primary education, post primary education and tertiary healthcare is far from universal. Measures of equity of access to education and health within countries have slipped in most regions since 2000[30]. Although girls' progress in education has been more rapid than women's progress in the labor market and many other arenas, gender gaps in education remain in MENA and SSA, with girls' primary completion rates two percentage points and three percentage points lower respectively (World Bank Open Data 2022). Secondary school completion rates in LICs averaged below half of the applicable age group in 2018 (Acosta-Mendez and Evans, 2021). Outside of a few successful interventions, the health sectors in LICs and MICs have routinely struggled to improve healthcare delivery and universal coverage, either through the implementation of insurance systems (Yazbeck et al., 2020) or embedding a culture of performance among staff. Some countries' professional staff absence rates remain above 50 percent and diagnosis accuracy rates below 50 percent (di Giorgio et al., 2020; Das et al., 2016). Only 22 percent of clinics in ten SSA countries had staff capable of identifying and treating common diseases (Figure 18).

**Governments still find it difficult to deliver services equitably, and there also remain huge gaps for example in access to safe water and sanitation.** While sanitation coverage improved, less than half the global population had access to safe, well-managed sanitation in 2019. Progress within different countries and regions was very uneven, particularly in rural areas and countries in Central and the Horn of Africa continue to lack infrastructure and institutions that prevent death and illness[31]. Despite improvements, 29 percent of people globally did not have access to safely managed drinking water in 2017 (WHO/UNICEF 2022).

**Access to electricity has stagnated in many countries, with financial sustainability and the last mile of infrastructure provision remaining challenging** (Figure 16). Hard-to-reach electricity users (the final 10 percent of the population) tend to be the least profitable customers, with access in SSA lagging behind other regions of the world, at just 46 percent. There is often a lack of commitment to sustainable tariffs for high-quality electricity (Burgess et al., 2020) and public utilities perform poorly. Energy subsidies were worth over 6 percent of global GDP in 2015 (Atansah et al., 2017). Subsidies for energy tend to benefit richer households the most. Given the investment size and length of time required to complete power projects, sustained political attention is required, as is getting the initial project selection, location, and governance arrangements "good enough".

**Figure 16: Access to Electricity and Internet (% of Population).**



Legend:
- Access to electricity (% of population) - upper middle income
- Electricity - LMIC
- Electricity - LIC
- Using the internet (% of population) - upper middle income
- Internet - LMIC
- Internet - LIC
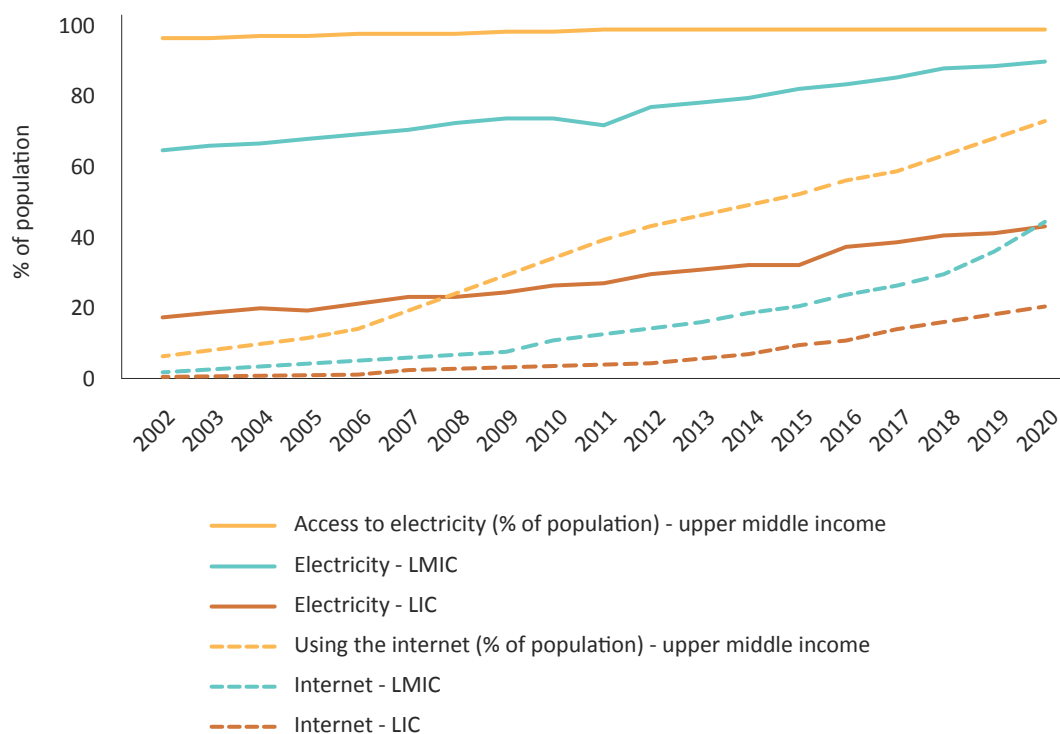
*Source:* World Bank.

**Figure 17: % of children unable to read and understand a simple text by age 10.**



% of children in last grade of primary
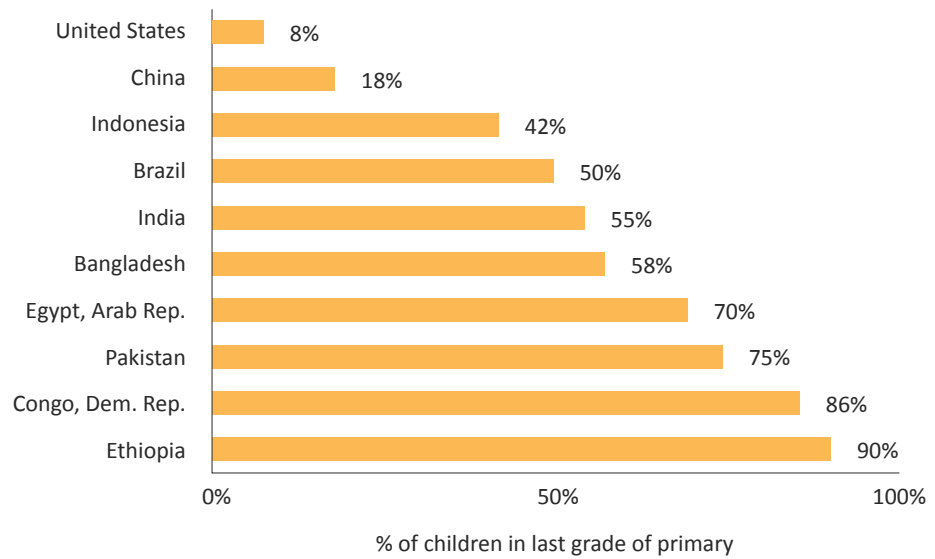
*Source:* World Bank, ten most populous countries with data.

**Figure 18: Health facilities do not have the capability to identify and treat common diseases in SSA.**



% of clinics or workers
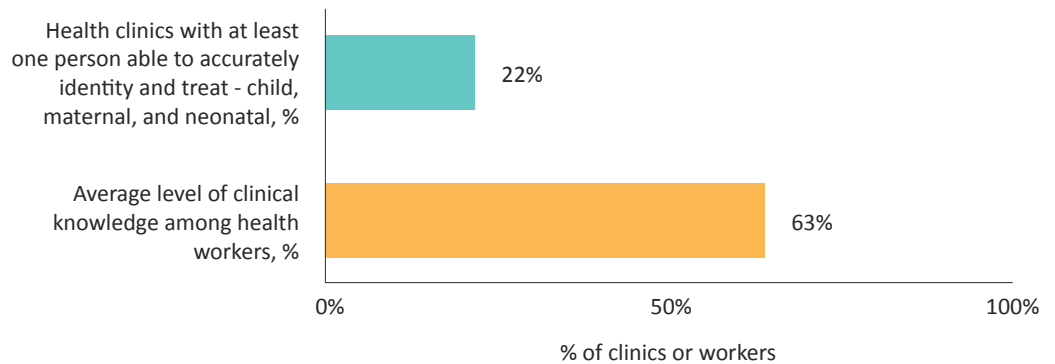
*Source:* Average of Kenya, Madagascar, Mozambique, Niger, Nigeria, Senegal, Sierra Leone, Tanzania, Togo, Uganda. 2010-2016.
*Note:* SDI via di Giorgio et al 2020 and World Bank Open Data.[32]

**Traditional government delivery of public services is often impeded by poor motivation, collective action problems, weak incentives, coordination challenges, political incentives and timespans, and beliefs that prevent progress** (for instance, see World Bank 2017a, World Bank 2016, Fritz, Kaiser, Levy 2009, Balchin, Booth and te Velde 2012). More effective technologies and practices can contribute to meaningfully addressing these challenges to traditional delivery and to control the costs of traditional service provision. Governments, especially in lower income settings struggle to attract, pay sufficiently, train, motivate retain and discipline a large cadre of public servants needed for service delivery, and many did not take advantage of proven approaches such as community healthcare workers (Box 2). Understandably, governments often prioritize removal of school or healthcare fees and expanding teacher or health worker recruitment over training and coaching

or delegation to non-state actors. This is because these reforms have a successful track record, as well as being politically and administratively easier than making frontline services deliver at quality (Woolcock, 2017). The necessary steps to improve quality in NGO-led settings are increasingly well-understood, but governments in LICs and many MICs are unable or unwilling to adapt these examples (Bold et al., 2013; Kerwin and Thornton, 2020, Muralidharan and Singh, 2020).

**While there has been some successful innovation in service delivery, the successful adoption of technology for public sector problem-solving requires the "analogue complements" to also be addressed (World Bank, 2016).** Performance-oriented initiatives or delegating delivery to non-state actors does not translate well in many contexts[33] and often results in bureaucratic demoralization,[34] undermining efforts to build strong professional norms. These initiatives sometimes increase costs and do little to make services better, while promising efficiencies that are not realized. Digitalization might help spur timely reforms, but to have positive impact on government policy, the overall reform still requires a mixture of good project design tailored to context and incentives, high implementation quality and adaptation to realities discovered in implementation, as well as a conducive set of norms. There is no set of technologies or "ready recipe" that successfully builds norms or shifts priorities in the absence of good political and institutional leadership (Rodrik, 2004), which means many governments face a future without a clear path toward delivery of quality public services.

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**Box 2: Disruptive Innovation – The Community Health Worker**

Everyone wants easy access to a competent, available general practitioner or family doctor as a one-stop shop for all our medical needs. But developing countries have struggled to produce enough doctors and nurses who can provide accurate diagnoses and to persuade them to regularly attend work in government facilities.[35] Governments and NGOs for the past century have introduced community health worker (CHW) healthcare teams. Community healthcare is an example of a technique of selecting a shortlist of straightforward and often-repeated tasks for a cadre of less expensive health workers who require far less formal education to do their jobs (a doctor takes up to ten years to train, while CHWs in Uganda take about ten days (Musoke et al., 2019).

CHWs are a market-creating innovation in the sense that their services can be accessed by people – and governments—who cannot obtain a more sophisticated medical service. CHWs are a "disruptive" innovation[36] in the sense that they are low-skilled by the standards used by the health industry at the time (nurses and doctors having completed lengthy pre-service education), they are cheaper, and adequately meet the needs of the "low demand for performance" of often unserved users suffering from common illnesses. Although starting from much lower levels of performance, they can take a path of improvement that may meet the demands of more and more users.

CHWs have been adopted globally to some extent, but many governments haven't gone 'all in' to really disrupt the existing model. CHWs might tackle a few health issues - for instance in Southern Africa to manage HIV and some aspects of reproductive health. But most government money and attention in low- and lower middle-income healthcare is still going upstream towards prestigious, doctor and low-patient-count tertiary facilities, rather than building out a richer service that deploys and rewards CHWs to achieve their full potential.

Because of a host of interests, incentives, beliefs, and tax financing, government's existing activities are harder to 'disrupt' and fully displace. If the private sector is enabled to fully realize the potential of disruption, and if governments can't adopt this stance, it might shift the direction of what should and what shouldn't be provided or funded by governments.

There are other 'disruptive' health innovations along the same lines of unbundling the family doctor or general hospital. Single-condition hospitals do thousands of eye surgeries per day in India and clinics provide cut-price diabetes-only care in Mexico (IFC, 2020). While most users would prefer a general facility nearby, single-condition clinics economies of scale result in a better overall service. This streamlined approach is now making a comeback in the cost-conscious U.K.'s National Health Service (NHS), where dressings, vaccines and other simpler primary care tasks are increasingly sourced from fewer, larger, nurse-led facilities. This allows the system to better cope with a shortage of costlier family doctors, and doctors to focus their attention on more complex cases.

The classification of different types of innovation (disruptive, sustaining, and efficient) can be seen in the table below. Context matters and in LICs and MICs, the tendency has been to pursue sustaining innovations that can end up as costly capability traps. Yet disruptive and efficient innovations may be more beneficial to pursue overall.

| Disruptive innovations | Sustaining innovations | Efficient innovations |
|---|---|---|
| *Different output, usually much lower cost, and/or market creating* | *Higher quality output, same or higher cost and requires more capability* | *Same output, lower cost* |
| Community health workers | Online tax payment services - usually added as another mode in developing countries alongside existing ways to pay. | Removing persistently absent workers. Multi-specialty, lower cost hospitals (for example, Narayana Health in India). |
| Single-condition medical centers | | |
| Scripted lesson planning | | Lower-cost medical inputs. |

*Source:* Based on Christensen, Ojomo, and Dillon, 2018. *The Prosperity Paradox.*

**INADEQUATE PREVENTION, PREPARATION, AND RESPONSES TO CRISES.**

**Governments often are unable to prevent and are ill-prepared for crises— even as extreme weather events are on the rise, conflicts are increasing, and the world is continuing to endure a global pandemic.** While the recipe for, say, economic growth is difficult to define and standardize (Rodrik 2009), many countries are searching and feeling their way to a good answer (Patel, Subramanian and Sandefur 2021). In contrast, the recipe for farsighted government that is truly prepared for crises seems more elusive.

Some governments struggle to fulfil their most basic role—securing the physical safety and security of their citizens. Perhaps the most clear-cut failure of government is the absence of an effective "violence-reducing pact" in a territory. The population living in fragile or conflict affected situations

grew from 572 million in 2000 to 930 million in 2020 (World Bank), while the number of people that died directly in armed conflicts rose in the 2010s relative to the previous decade (Figure 8 above). Forced displacement is at an all-time high, and poverty is increasingly concentrated in chronically fragile and conflict-affected states (World Bank 2020b, World Bank/UN 2018). There are many causes of conflict: demographic pressures, the choices of individual leaders, a rise in "government by exclusion", shocks to agriculture stemming from global heating, and poor economic performance contributed to social contract breakdowns in MENA and the Horn of Africa in the 2010s (World Bank/UN 2018). Sustainable solutions to persistent conflicts remain elusive, while new forms of web-based aggression impose substantial global costs.

Meanwhile, global temperatures continue to rise, and the transition from carbon is yet to gain pace. Yet, pandemics and climate change are far "less costly to prevent than to cure" (Manzanedo and Manning, 2020), and extreme climate change may be relatively cheap to prevent in global GDP terms.[37]

**Past and current crises have revealed governments' lack of emergency preparedness and their varied capacity and ability to finance crisis response and cushion crises' consequences.** Governments with weak institutions at the onset of a crisis were also less able to respond – for example those with weak public health capacity and less extensive existing social safety nets have found it more challenging to respond effectively to protect lives and livelihoods during the COVID-19 pandemic (Gentilini et al 2022).

LICs are least well placed to finance crisis response and shield their citizens and private sector. Their governments spend under 2 percent of HICs' average government expenditure per citizen. But even richer countries shoulder a large financial burden - preparing better for crises such as the global financial crisis and COVID-19 could have reduced their total costs to government, which for these two crises average three percent of global GDP per year from 2007 to 2021 (based on IMF Fiscal Monitor estimates of total response costs, 2021, and IMF WEO GDP ).

**Collective action to address crises that have uncertain future impacts has been persistently inadequate to meet the challenges of averting, preparing, and handling crises.** For instance, the existence of siloed, uncoordinated arms and levels of government (OECD 2021) presented challenges for governments to implement an effective response to COVID-19.

**Often, the predominant incentive is for governments to take decisions that prioritize short-term benefits over longer-term risks.[38]** For example, very few governments actually implement fiscal rules (Blanchard et al., 2021, Davoodi et al., 2022), and the proceeds from natural resources are rarely saved, and instead may be unfairly distributed in LICs and MICs,[39] often in ways which benefit elites. Short-termism is often driven by citizen demands: a 2017 study showed that more than half of LAC citizens across seven countries claimed to prefer around $100 this year to $200 in one year's time.[40] This makes collective action to address the biggest challenges and potential future crises harder to secure.

# 1.3 CONTEXT IS KEY - EXPECTATIONS, CAPABILITY, AND TRUST

**Context is critical in determining the course of action for the governments of the future to deliver on their potential.** This section therefore briefly summarizes some of the key contextual factors facing governments: the expectations of citizens on governments role, and government's fiscal and human capacity to respond.

**GROWING EXPECTATIONS AND DEMANDS ON GOVERNMENT**

**Citizen's demands on governments and their expectations of what Governments can do have been growing across the world in the 21st century[41].** Many governments have enabled rapid and substantial human progress, but even high performers falter along their path to prosperity, and even rapid growth takes decades to achieve 'rich world' outcomes. Access to more ICT and with it ideas from elsewhere, has also raised the awareness and aspirations of citizens to reach a standard of living that is facilitated by government action to support the poorest and provide more equal and inclusive opportunities. The expansion of basic services in LICs and MICs has cemented expectations that the state can actually provide such services. Yet, there has been growing dissatisfaction with the unequal access and poor quality of services and citizens demands to close the gaps in health, education, and infrastructure access, in addition to access to security, justice ,and law and order services. There are new types of demands that have been emerging, related to pandemics and epidemics, climate change, and conflict and security.

**Citizens are increasingly demanding governments achieve objectives that are more complex to deliver.[42]** For example, citizens who have moved out of poverty are demanding greater security of livelihoods, which will require an enabling environment for quality (formal) jobs for their citizens while at the same time transitioning away from the use of carbon. This requires that governments move beyond access to jobs to address equity, quality, safety, and gaps in other areas, such as social services and infrastructure, that citizens will continue to demand. And it is important that they do so while accounting for the costs of environmental degradation, addressing their causes ex-ante.

## DISPARITIES IN FISCAL RESOURCES AND CAPACITIES

**In 2020, over half the people of the world lived in a country in which their government spent less than $4 per person per day, while the richest countries spend more than $60 per person per day.** More than three billion people live in a country where governments have under $1.66 per day to spend. Governments in HICs have on average 98 times the money to spend on each person than LIC governments do. Within countries, there are huge local variations in funding available for service delivery (Figure 20). These fiscal differences are stark and this underlines the importance of tailoring the role of government to the fiscal realities, as well as ensuring the future role conversations are grounded in the national context.

**Figure 19: There are huge variations in expenditure per capita across countries.**



Most people lived in one of the 76 countries where their government spends less than $3.44 per person per day.
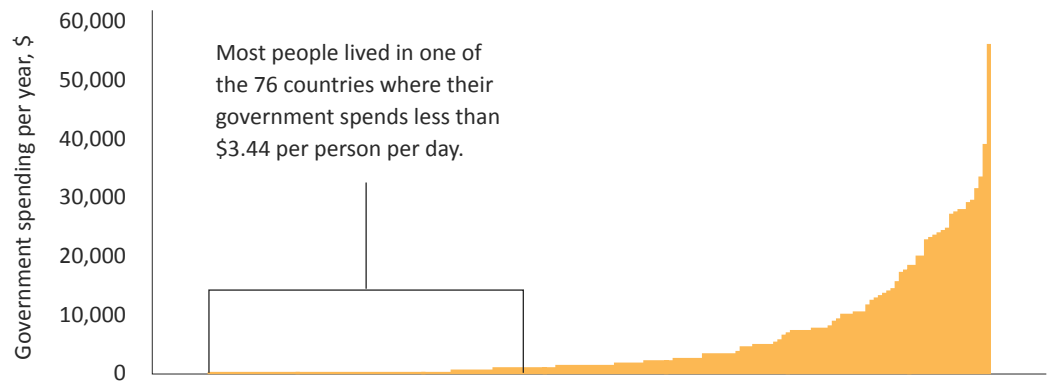
*Source:* IMF WEO 2022.

**Figure 20: There are similarly large disparities of funding within countries.**



Variations in local government primary health care funding per capita in Uganda in 2020/21.

Kira Municipal Council

Moroto Municipal Council
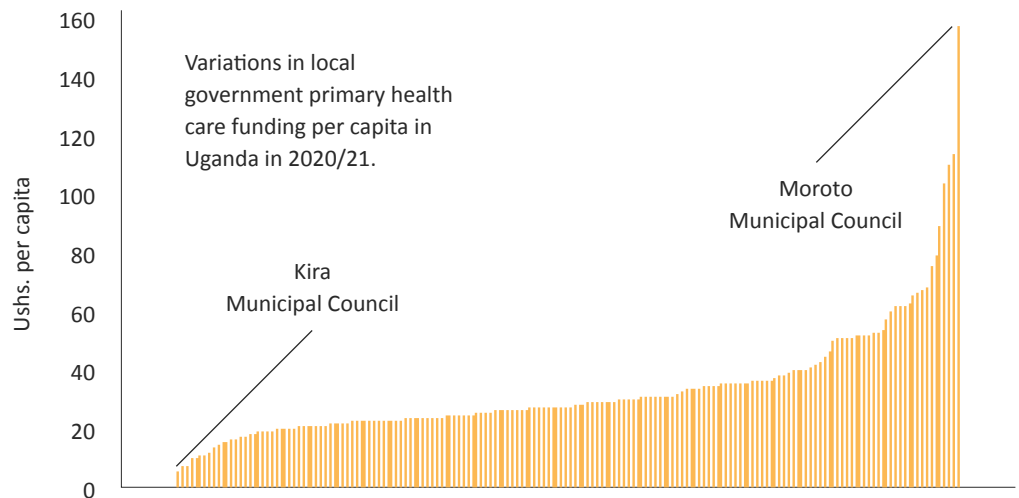
*Source:* Government of Uganda, 2022.

**Despite international focus and intention, it has been challenging for governments to sustainably raise the tax to GDP ratio** (Figure 21). In fact, several populous LICs in SSA had a lower tax to GDP ratio, albeit perhaps with more efficiency, than at the start of the 21st century. [43] Revenue authorities have been established and modernized, but have often not been able to raise tax revenues as a share of GDP (Dom 2018), including from the most wealthy. The poor are still lightly taxed in most LICs and MICs largely because they are employed and consuming outside of the formal economy (Bachas, Gadenne, and Jensen, 2021).

**The fiscal situation has led to a rise in global debt levels.** Debt to GDP ratio as well as debt sustainability risks are creeping upward.[44] Even during an era of low debt burdens, low resource levels threatened the affordability of basic services in the poorest countries (Sandefur (ed.), 2022) and often stagnant domestic resources in GDP terms. Recent shocks have exacerbated the situation, and governments will be under immense pressure to deliver more with fewer resources going forward.

**Figure 21: Government revenues have not increased much as a share of GDP.**
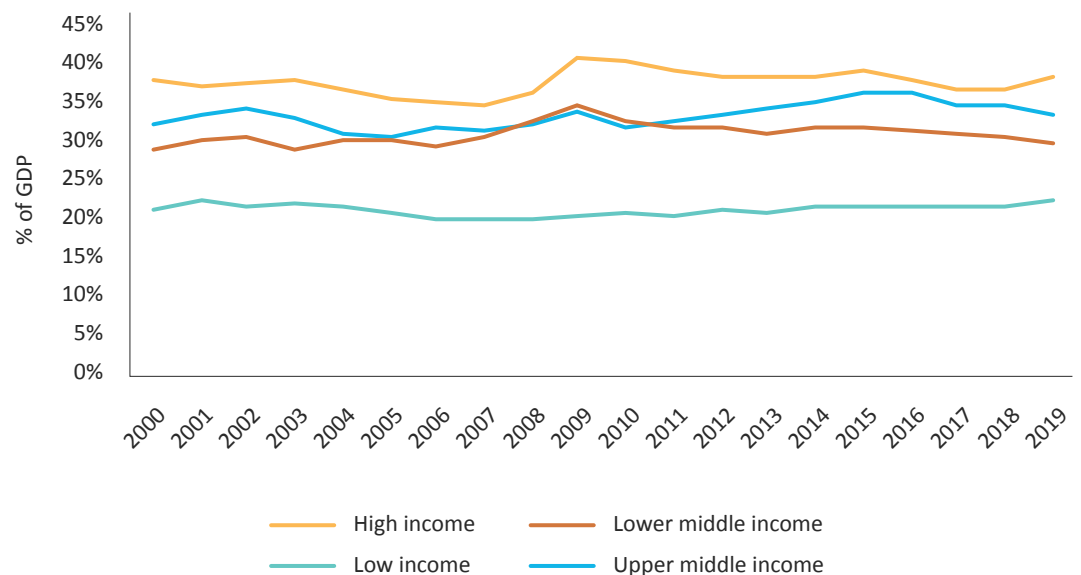


*Source:* IMF WEO 2022.

**BELIEFS, EXPECTATIONS AND RECENT EXPERIENCES OF THE GOVERNING**

**Financial strains are aggravated by other capability challenges faced by governments, with measures pointing to a stagnation or decline in government effectiveness over time.** Emerging economies stagnated or got worse at policy implementation since 2006 (Bertelsmann Transformation Index, 2020)[45] (Figure 22), and the quality of government has been deteriorating, too (International Political Risk Group, 2021) (Figure 23). Governments are frequently unable to effectively prioritize, communicate, and organize their interventions (World Bank, 2017). Coordinating and acting across government agencies to tackle challenges which involve private sector players, such as labor market policy remains outside the capability of most governments (Pignatti and van Belle, 2018; ILO 2016). Related measures on governments' capability to convene and reach consensus show similar deteriorations (Bertelsmann Transformation Index, 2020).[46] For example, multipronged efforts to reduce poverty at low cost[47] require intra/interagency coordination, effective internal accountability, and the identification of the truly in-need; this is a difficult combination to achieve even for most developed country governments.

The context for effectiveness depends on several factors: the cost of sustaining the elite bargain (de Waal, 2017) which depends on how power sharing happens (Pritchett, Sen, Werker, 2018, Kelsall and Hickey, 2020, the ideas about how progress is made that the elite hold (Green and Hickey 2019) and the intent of the governing elite, who make a choice to pursue a developmental path or not (Dercon, 2022).

**Figure 22: More governments' capability to implement policy declined or stagnated than improved between 2006 and 2020.**
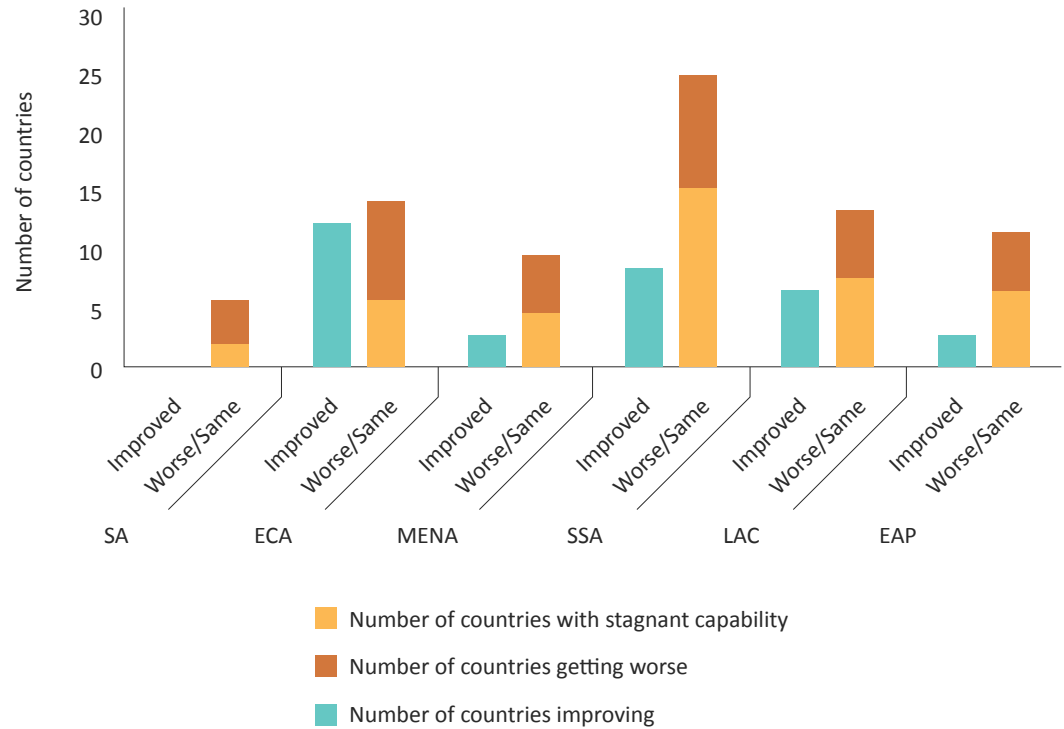


*Source:* Bertelsmann Transformation Index 2020, emerging economies.

**Figure 23: The average quality of government has also declined in some regions since 2000.**
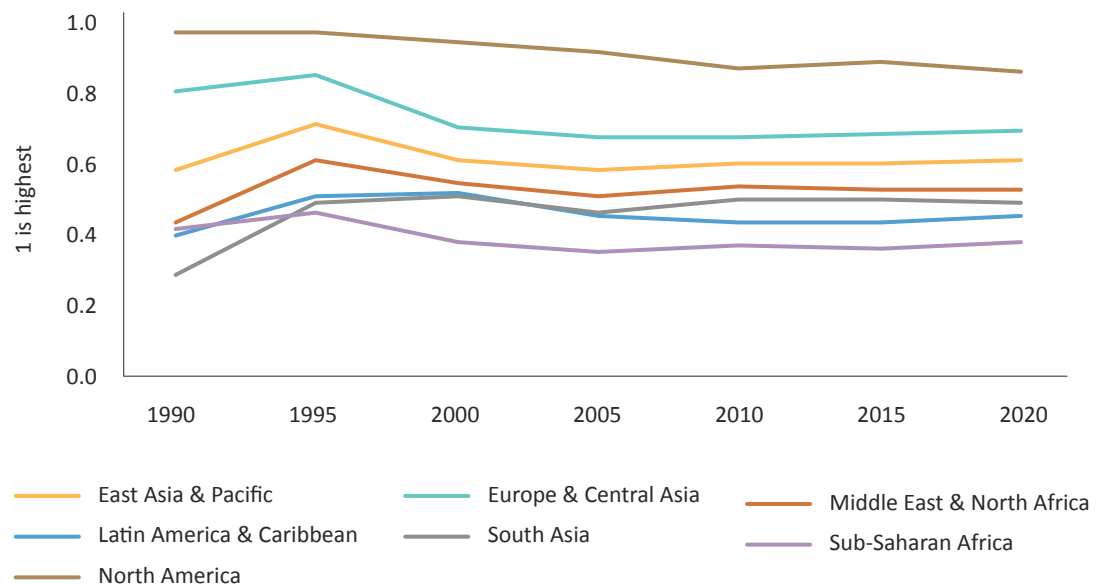


*Source:* Quality of Government 2021 dataset (International Political Risk Group).

**TRUST VARIES ACROSS REGIONS AND LEVELS OF GOVERNMENT**

**Trust in government varies across regions of the world and has generally been declining in well-established public institutions and governments.** This decline was already apparent before the pandemic, but COVID-19 has further strained social cohesion, perhaps especially in developed countries and among youths (Aksoy, Eichengreen, and Saka, 2020). Growing inequality, increasing globalization, and past crises such as the financial crisis have contributed to an erosion of trust in government in many countries. Improved electoral showings of populist leaders and parties in HICs and MICs are symptoms of this declining trust in the status quo. Protests in the Middle East, that triggered the Arab Spring, and those in Latin America that have contributed to the rewriting of national constitutions, such as in Chile, show that measures of confidence and trust in both elected officials and bureaucrats are falling in many countries. While healthy skepticism can lead to positive social action, deep mistrust of the state by different groups is a key factor in fragility and conflict. Conflict is extraordinarily costly for citizens, as exemplified by painful decades of partial recovery in West Africa. Underlying this mistrust is a sense that many governments do not have citizens' "best interests at heart" and are dominated by elite interests. This includes the interests of politicians in power, bureaucrats within government, and elites operating behind the scenes. Trust in government in South and South East Asia remains robust (Gallup, 2022), and trust in OECD governments has risen on average since 2010 (Our World in Data, 2021).

**Trust remains high at the point of delivery (notably in educators and medical professionals) and lower in the national government and other sources of more distant authority** (Figure 24, Figure 25, Sunstein in Wiblin and Harris, 2019). In MENA, after the Arab Springs movement, highly educated people trusted their post-2014 governments less (Brixi, Lust, and Woolcock, 2015), leading to an overall reduction in public trust. But in ECA and SAR, where government performance has been rising, highly educated people tend to mistrust governments about the same as the less educated. Poor labor outcomes and perhaps limited contact with the public sector are associated with lower levels of trust among young adults.[48] Income and other inequality is often associated with lower levels of interpersonal trust (Graffland and Loos 2019, Our World in Data, 2021) and lower compliance with government entreaties (Economist 2021a).

**Figure 24: Citizens trust national governments less than their doctors and neighbours.**
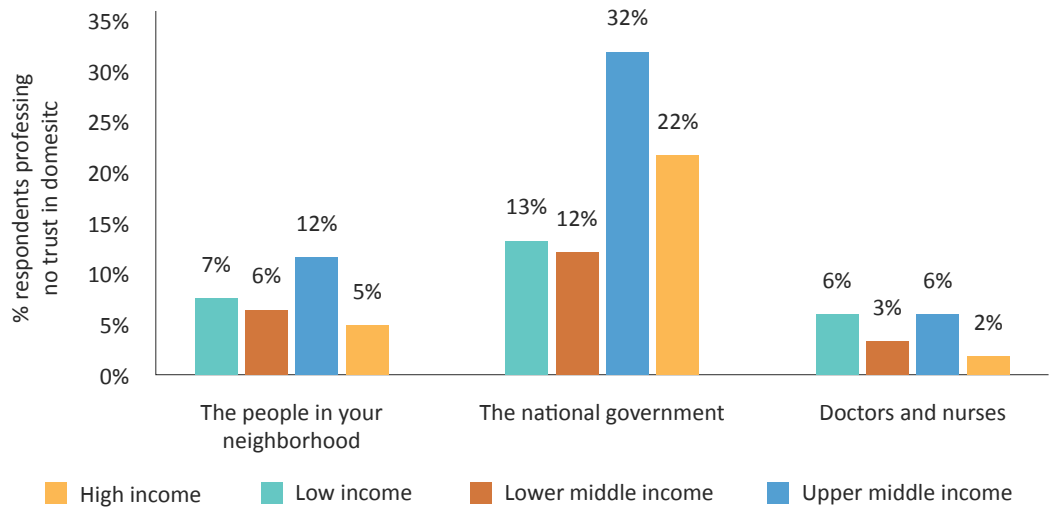


*Source:* World Bank calculations on Wellcome/Gallup 2018.

**Figure 25: There are large regional variations in trust.**
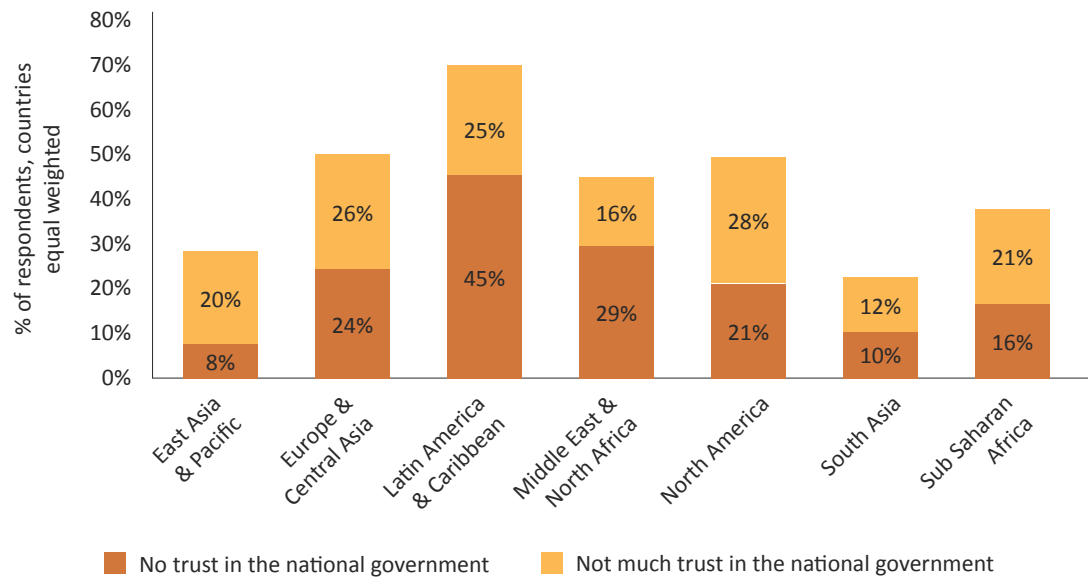


*Source:* World Bank calculations on Wellcome/Gallup 2018.

**CONTEXT IS KEY**

**Ultimately, it is clear that context is key.** Countries in different parts of the world have different cultures, different capabilities, different resources available to them, and citizens have different expectations and relationships with their governments. Regions and groups of people within countries also differ in their contexts and outcomes. In relation to COVID-19, for example, such contextual factors had a direct impact on the nature, cost-benefit, enforcement, and duration of lockdowns. It also affected vaccine availability and uptake and differing perceptions of the pandemic and governments' role and actions during it. Contextual factors are critical to understand what governments have been able to achieve in the past, the challenges they face, and what they will be able to accomplish in the future.

# 1.4 FIVE IMPLICATIONS FOR THE FUTURE OF GOVERNMENT

**What does this brief review of government's achievements and challenges in the 21st century tell us about the future of government?** While different readers will draw different conclusions, we draw five initial implications for the future of government.

**Firstly, that on balance, governments have been hugely successful in the 21st century, and have demonstrated they are able to deliver against local and global challenges.** In doing so, governments have changed. These demonstrated successes and changes should give us optimism and confidence that governments can change once again to address the challenges they face.

**Secondly, citizens are likely to demand that governments deliver against more challenging objectives in future.** It is important that governments move beyond overseeing growth in income per capita to deliver secure livelihoods and enable the creation of mass, quality jobs for their citizens, while simultaneously transitioning away from carbon. Governments may need to move beyond access to address equity, quality, and gaps in social service and infrastructure delivery. In addition, governments may need to address the costs of environmental degradation and begin acting collectively to respond to citizens demands proactively.

**Thirdly, to achieve more challenging outcomes especially with a more limited fiscal envelope, governments will need to re-examine their roles, how they deliver, and their productivity.** More challenging outcomes cannot be achieved by governments conducting business as usual. Perhaps a distinction can be made between successes in areas where one-off policy changes are sufficient and knottier issues where sustained attention is required. Governments need to identify the constraints to achievement of these outcomes, getting down to their root causes. Solutions will need to address those root causes by questioning whether current practices are dealing only with the symptoms of the issue. No single delivery tool or approach guarantees success without taking into account the context and culture that sustains these issues. Reforms will also need to be implemented in an environment of unprecedented fiscal constraint, bringing into sharp focus the choices and trade-offs that need to be made and the importance of government productivity in addressing the issue. They will need to be managed in a situation of increasing uncertainty, in governance, economic,

social, and environmental spheres, while institutions have been getting weaker in many countries. Governments will increasingly need to plan for and manage risk, through the collective efforts of regional and global institutions, if future crises such as climate change are to be averted.

**Fourthly, governments will need to focus on building legitimacy and trust with their citizens, and that involves addressing long-standing governance challenges.** Governance trends over the past 20 years include increasing mistrust in many countries, the narrowing of spaces for non-state action, and lack of accountability of political systems particularly regarding decision-making. The undermining of trust in turn undermines the basis of government, and therefore understanding how to rebuild it will be key to sustainable progress in the achievement of challenging outcomes.

**Fifthly, context is critical, as governments start from different points, have experienced different trajectories of change, and will take their own pathways in future.** There are huge variations in the levels and trajectories of government resources, outcomes, and challenges within and across countries, regions and income groups and in the wider arena (the distribution of power, beliefs, non-state institutions, and histories) in which governments find themselves. This heterogeneity impacts the future of government— as countries entered the pandemic, and will recover from it, from different starting points and will need to take different paths toward recovery. The trade-offs and choices available will depend on the local, sector, country and regional contexts, the availability of resources, and the nature of the demands and constraints faced by governments. The challenge is to understand how governments can take deliberate steps along their own pathways toward positive outcomes.
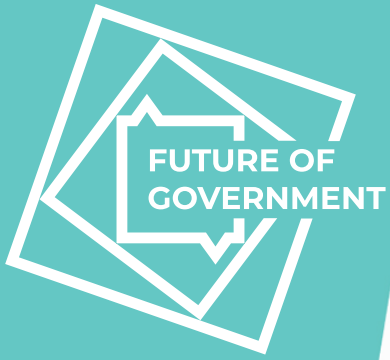
PART 2:

# A GUIDE TO REIMAGINING THE GOVERNMENT

# 2.1  A FRAMEWORK

**GOVERNMENTS, GOVERNING AND POWER**

**The word** *"government"* **is frequently defined as the form, body, people, or system by which a state or a community is governed or ruled and the people that comprise it.** *"To govern"* or *"to rule"* is defined as to be in charge, to control, to direct, to make and enforce laws for, deliver services to and/or to exercise power, authority or influence over that state or community.[49] The Future of Government Initiative retains this broad definition of government, given the diversity of governments across the world. Differences exist across different dimensions. The functions of governments may be centralized, devolved or decentralized. Governments are made up of different bodies, committees, ministries, and departments; at the central, regional, and communal levels. What they share, however, is that they set policies that regulate the lives of citizens and seek to provide services to the public.

**While this report refers to governments, it is not referring to a single body or individual leader, but a collection of bodies and individuals.** The different bodies and the different people that form them have differing characteristics and interests and face different incentives in their work. A government may be at the central or local level. It is critical to acknowledge and understand the different dimensions of a government. This report deliberately does not cover the system of politics that distributes power within a country—whether monarchy, democracy, oligarchy, or an authoritarian regime. It is deliberately agnostic about the political system of government; firstly, because this report considers governments in all political systems and, secondly, because in the Bank's articles of agreement it is agnostic on issues of politics. That said, the issues and governance challenges that government's face are intertwined with politics, and thinking about political economy issues is very much part of the proposed approach for the future of government, since it is crucial to understanding context.

**This Initiative considers how governments are organized and their interaction with citizens, communities, and firms as key to understanding their behavior** (Figure 26). All governments govern through a combination of formal policies, laws, processes, and institutions; as well as through informal networks and relationships where behavior is influenced, and deals are struck. The 2004 World Development Report (WDR), *'Making Services Work for Poor People'* provided a compelling framework to think through how governments function, and to consider the interactions and relationships between policy makers and service providers with citizens (World Bank, 2004). Much experience and research has been collected since then on the effectiveness of policies that aim to strengthen the citizen-state relationship (for example, Fox, 2015). This includes studies on persistent service quality problems that have not been solved by changes to government accountability

mechanisms, and the types of political settlements, such as power sharing among elites, and the extent to which these types of settlements can be "pro-poor" (Hickey, Sen and Bukenya, 2017 (eds.), and Bukenya, 2017).  The WDR 2017, 'Governance and the Law', expands our notion of governments as policy makers through the concept of the "policy arena" and the importance of non-state as well as state actors in power dynamics and its emphasizing that successful reform demands commitment, coordination, and cooperation of those different actors.

**Figure 26: The Interaction Between Policy Makers, Service Providers, Regulators, Citizens, and Firms**
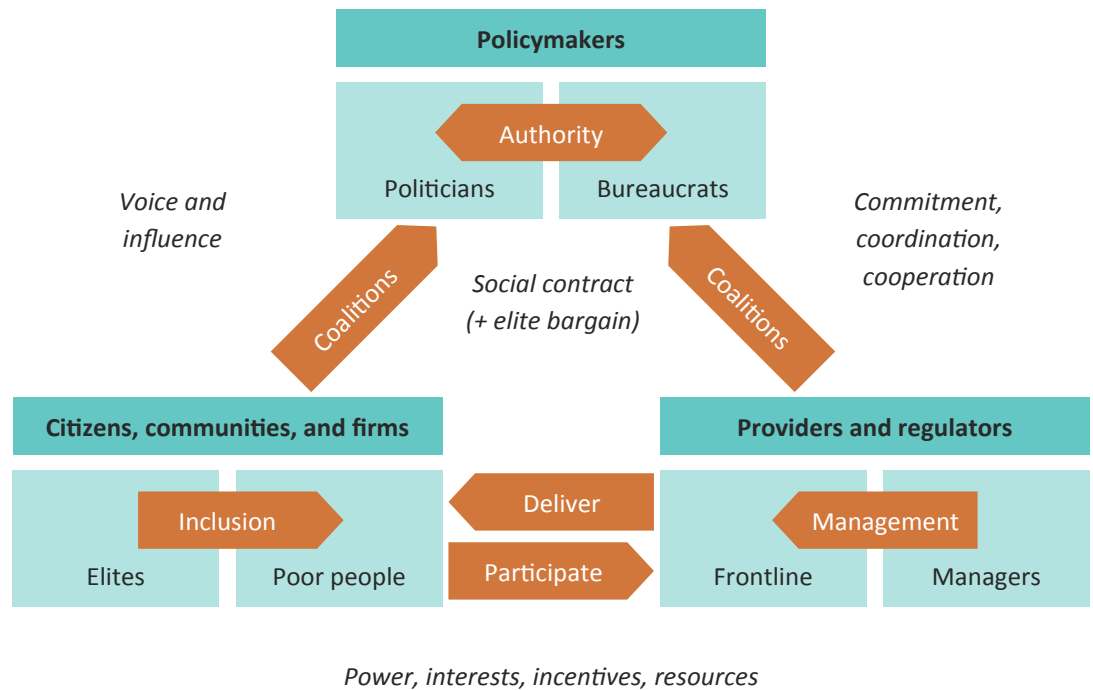


*Source:* Adapted from WDR 2014 with influences from WDR 2017 and FoG Initiative.

**This report builds on the WDR 2017, by emphasizing the importance of the distribution of power, interests, incentives, and resources within governments when it comes to government effectiveness** (Figure 27). Government actors require power and authority as well as human and financial resources if they are to be successful in managing change and reform. Whether political or bureaucratic, individual or institutional, public or private, elite or community, the distribution of power and authority is therefore a critical issue for government leaders to consider when defining roles and mandates, objectives, priorities, and when plotting pathways and taking steps to implement reforms. Power is exerted through formal and informal mechanisms. Power may be centralized at the top of a few institutions or be distributed across regions and a wider range of institutions. The degree to which the interests, incentives, and resources of those with power and authority are aligned toward developmental progress determines the space for and likelihood of positive change. The circumstances for governing are constantly evolving. When governments are reimagining themselves, they are encouraged to think deliberately about the interactions between different dimensions of government and between governments and their citizens, communities, and firms, and how power is distributed, and the interests, incentives, and resources available to those wielding power.

**Figure 27: A framework for examining how government is organised and the space for change.**



**a. The distribution of power and authority varies across dimensions of government and within society**

Policymakers — Politician · Bureaucrat · Manager · Frontline

Focus — Head · Core · Sector · Program

Level — Central · Regional · Local

Public-Private — Government · Private

Citizens — Elite · Middle Class · Poor

Formality — Informal · Formal
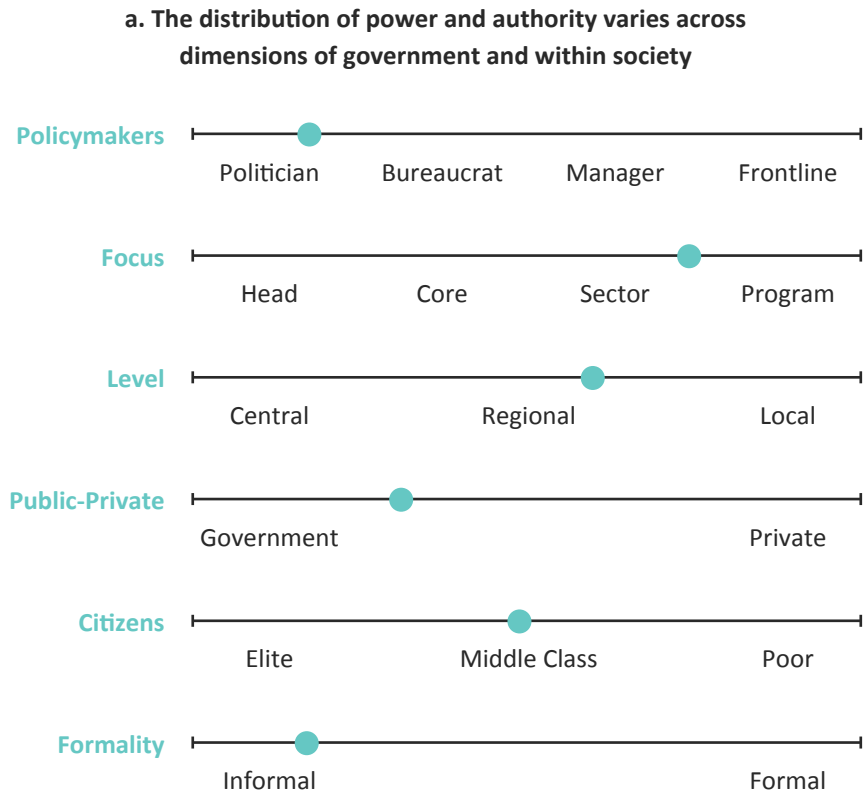
**b. The alignment of interests, incentives, and resources influences the space for change**

Interests · Incentives · Resources

Interests · Incentives · Resources
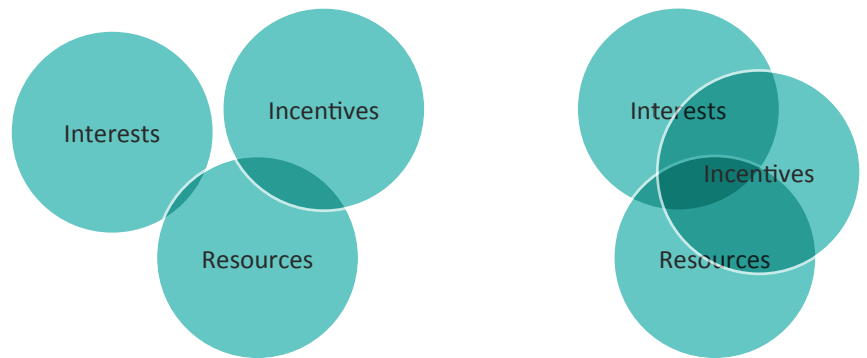
*Source:* Authors.

**THE PROCESS
OF REIMAGINING
GOVERNMENT**

**So how can governments start to transform themselves?** The report starts with this question, as this was a key question coming through the debate series during a time when governments around the world were confronted with the health and economic shocks from the COVID-19 pandemic. The series called upon government and non-government leaders to engage in the discussion about the success and failings of government's role and the need to imagine a future with more successes than failures. Several of our speakers were of course focused on the role of government policy and service provision in health and education as vast numbers were excluded from government provided health care or schools as the pandemic hit. And several speakers acknowledged the catalytic role the pandemic played in the adoption of technology and innovation to solve problems in government – a cultural sea-change from the past. And finally many speakers spoke of the vast fiscal challenge ahead as new services were rolled out by government during a time when revenues did not increase, and the challenge we referred to earlier of systematically raising tax revenues, particularly in low trust environments (World Bank, 2022b). We asked, how can those interested in fostering change from inside or outside government play a role in changing the behaviors of policy makers and providers?

**All actors involved in the Future of Government Initiative acknowledged that the process of reform and change is extremely difficult, complex and takes time, coordination and requires internal change and engagement with non-state actors.** This report is deliberately aimed at both fostering internal government change and providing new entry points for work with non-state actors that can change the incentives and dynamics for reforms and prompt more effective government policy. As Aidan Eyakuze said in the fifth Disruptive Debate on the Future of Government, *"if you want to know how to address citizens' needs, you need to ask them".* Moreover, governments cannot just listen - they need to meaningfully respond.

**Learning from our speakers, we propose that the process of transforming government is one that needs to include all levels of government and all sectors.** While the entry points for change clearly vary depending on the country, context, and opportunities therein, and on the political cycles and systems at play, this report provides universal steps to embark upon a process for reform that is distinctly different; one where there are insiders and outsiders in the policy arena, to use the language of WDR 2017, and where solutions are home-grown – or problem-driven- and not based on the adoption of "best practices" and ultimately where accountability for success is from the government to the citizen. See Box 3 for a summary of the debate series and where to find more details.

Data, cases, and quotes from the conversations on the future of government (Box 3) are provided in this report and on the website to provide illustrations and texture to the process.

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**Box 3: A Conversation on the Future of Government**

A series of virtual *Disruptive Debates* was held between May and November 2021 with the goal of providing global leaders, thinkers, and practitioners with a platform on which to share their contrasting views and ideas on how governments might seize the opportunity from crisis to take pathways toward achieving greener, more resilient, and more inclusive development outcomes. The conversations were intended to generate new knowledge and perspectives by addressing six questions:

• What will be the demands on and future objectives of government?
• How will the role of government change?
• How will governments deliver?

- How will governments be more productive?
- How will citizens' trust in government be affected?
- How will governments prepare for future crises?

A diverse range of speakers were invited including influential young voices, leaders from civil society and the private sector, former heads of government, high profile politicians, officials in public/international organizations, and representatives of academia. The discussions sought to compare and contrast the different approaches to the questions and the implications of these issues for governments. Further information on the Disruptive Debates including recordings and events blogs is available on the Future of Government website.



**The remainder of this report, and the companion Future of Government website, sets out a proposed process of reimagining government.** It provides suggestions for this process of change, coalition-building and action by developing a step-by-step and question-by-question approach, providing information structured to help governments and their advisers, and the non-state actors trying to influence them, more easily understand what actions they need to take.

**The process involves reviewing and renewing the social contract between government and citizens** (explained further in chapter 2.2): governments face changing and growing demands and expectations from their citizens. There is an opportunity to reexamine what governments do for their citizens, and what citizens do for their governments and the elite bargain that enables it. The proposal for reimagining government is to start with four key questions:

- What is the **role** of government?
- How can the government **deliver**?
- How can the government be more **productive**?
- How can the government build **trust**?

**Governments need to embark on multiple and urgent journeys to deliver positive change** (chapter 2.3) at different levels and in different spaces: from the national government to local government, from the health sector to the energy sector. This report continues by setting out the elements of such urgent journeys, which include:

- Creating and seeking **catalysts and opportunities** for change;
- **Plotting pathways** toward an agreed destination
- **Taking steps,** while looking and learning and adjusting the route.

Within each step and question, this report:

- Looks **back to the future,** examining what the past can tell governments about how they might revitalize themselves.
- Illustrates how governments might transform themselves **from the Governments of the Past to the Government of the Future,** and the changes that that might involve.
- Identifies key **choices and conundrums** governments may face along the way. These should not be seen as definitive either/or decisions, but more as representing the factors and issues that governments need to weigh when deciding how to act. They often involve a spectrum of decisions.

# 2.2 RENEWING THE SOCIAL CONTRACT FOR THE 21ST CENTURY

**The COVID-19 pandemic and climate change have disrupted the social contract equilibrium, which was already under strain, in many countries around the world.** As highlighted in Part 1 and mentioned by several of the debaters during the series, expectations for government-provided services grew faster than the capacity of many governments to respond to them. In some cases, this contributed to a misalignment between citizen expectations and outcomes and attempts at renegotiation. For example, in the Democratic Republic of Congo, a citizen's movement, LUCHA, urged the government to strengthen its response to COVID (Pinckney and Rivers, 2020) and in South Africa, the enforcement of curfews and stay-at-home orders gave rise to resentment from citizens; the South African government responded with very large extensions to social assistance, while DRC did (could) not (Brown, Brechenmacher, and Carothers, 2020). Such pressures can lead to a breakdown, which can take the form of civil unrest or open conflict within or between states. *The Conceptual Framework for the Social Contract* (Figure 28) visualizes some of the factors in play in setting and adjusting the social contract over time. To be sustainable, the social contract needs to be dynamic, evolving over time to reflect changes in citizen-state relationships, the distribution of power and in social attitudes. Governments need to be adaptable and pro-active to understand and subsequently address a misalignment in expectations and outcomes in their relationship with citizens.

# RENEWING THE **SOCIAL CONTRACT**

## WHAT IS THE ROLE OF GOVERNMENT?

Governments avoid trying to maximize what they can deliver on their own, and instead need to reimagine their roles taking into account their own capability and context. They do not always focus on provision solely, but look to their roles in regulation, leadership and coordination. They consider how local and central government, the private sector, communities, all genders can contribute together to achieve common objectives that respond to the needs of citizens.

## HOW CAN GOVERNMENT BE MORE PRODUCTIVE?

Governments do more with less and shun inefficiency and waste. Governments identify and understand and confront the causes of inefficiency, identify solutions, be adaptive and exploiting new technology. In doing so, they drive public and private sector productivity whether in regulation, the workforce, in procurement or in the allocation and use of public finances.

## HOW CAN GOVERNMENT BUILD TRUST?

Governments at many levels, and in many spaces have lost the trust of their citizens. Governments urgently start work to regain and retain trust by involving, responding to and being accountable to citizens in decisions and delivery; by communicating well; by taking advantage of opportunities that technology presents; and by achieving what they commit to and being consistent in regulation & delivery.

## HOW CAN GOVERNMENT DELIVER?

Governments avoid confusing their own interests with those of citizens' and instead, with a clear focus on the needs of the citizen, rethink how they deliver and who drives, enables, and ensures delivery – whether through regulation or provision. They unlock and build new capability, collaborate and ensures quality & equity in what is delivered.

**Review and Renew the social contract**

**Figure 28: Conceptual Framework for the Social Contract**
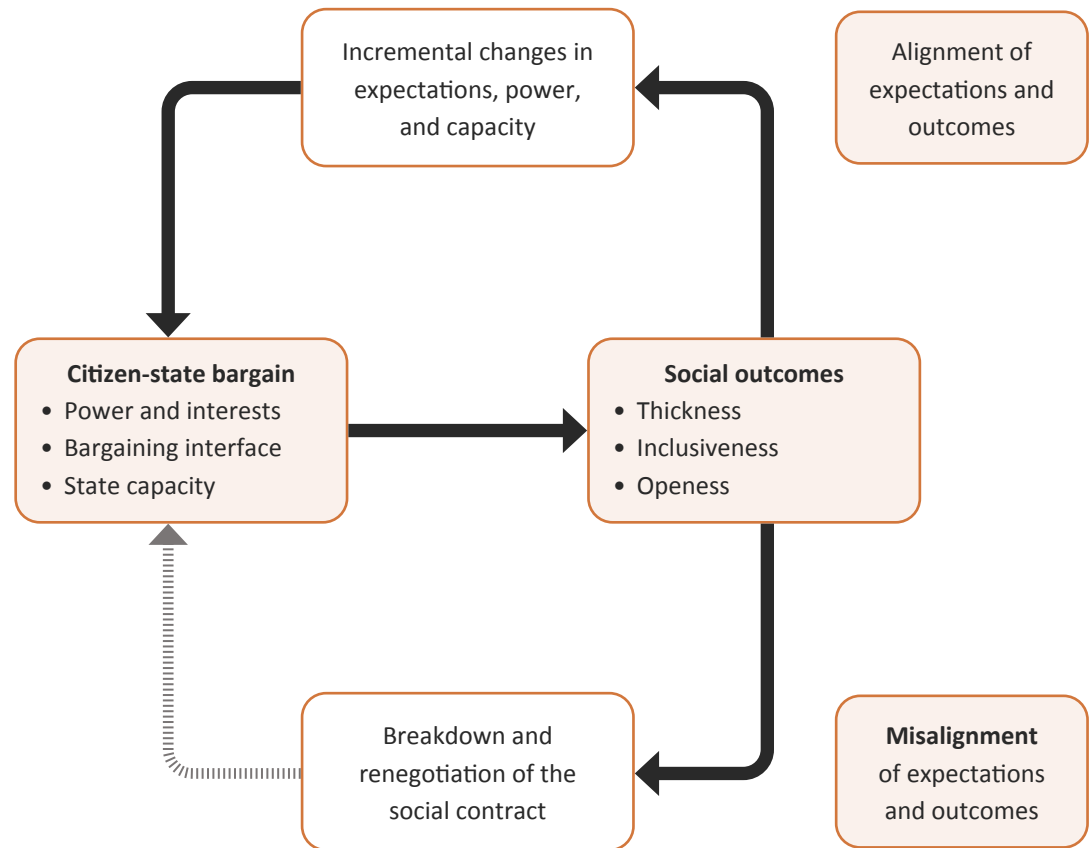


*Source:* Clouthier et al, 2021.
*Note:* "Thickness" here refers to the breadth and depth of services provided by the state.

**For a renewed social contract to be sustainable and effective, it needs to be supported by an elite bargain.** Power, authority, and resources that enable governments to function are typically concentrated in elites, not the broader citizenry, and therefore the deals reached by elites are critical for governments to deliver the social contract. For elite bargains to be sustainable, they need to adapt to "changes in the relative power, incentives, and preferences of elite actors" (World Bank 2017). For elite bargains to be developmental, it is critical that elites commit to outcomes that benefit the broader society and not just themselves.

**"There needs to be a review of the social contract between governments and their citizens with a view to rebuilding trust. The first step is to genuinely start committing time and resources to participatory forms of decision-making."**

– Kumi Naidoo

**The first element of the process of reimagining government therefore is to review and to renew the social contract.** A new social contract and elite bargain are not arrived at through one grand process: the new social contract can and should be made up of a number of smaller deals involving the government, citizens and elites. These may take place in different sectors, schooling or policing, for example, or at different levels of government and in different regions. In these different spaces, we propose that governments and non-state actors think through the answers to four broad sets of questions:

- **What is the Role of government?** What are the key outcomes that citizens wish to see and does the role of government align with their expectations? Or are governments doing too much or too little?

- **How can government Deliver?** If the government is the responsible actor for public service delivery, can it deliver on the social outcomes with the resources available and with the support or allegiance of non-state actors (businesses, religious, or CSO-providers)?

- **How can government be more Productive?** For those services that the government is responsible for, how can it use the scarce resources effectively and will it have the capacity to satisfy citizens?

- **How can government build Trust?** Is the alignment of citizen-state bargaining and a stable social contract sufficient to create deep levels of trust towards government? What factors outside a government's control impact trust and how can it ensure a continued alignment of citizen expectation and outcome to maintain trust?

This chapter sets out how governments have answered these questions in the past, how Governments of the Future might go about doing so in consultation with their citizens, and the choices and conundrums they may face.

# WHAT IS THE ROLE OF THE GOVERNMENT?

**BACK TO THE FUTURE**

**The economic rationale for the role of government in society is to intervene and improve societies' welfare by addressing market failures and the externalities that cause them, and to provide those goods and services that the market will not.** Through their interventions, governments aim to influence the provision of public, common, club, and merit goods in the economy to provide and improve citizen welfare. While the rationale may be societal welfare, in practice the private interests of those involved in government also play a role. At the extreme, the motivation driving government actions may be private predation (de Waal, 2017), and some states are substantively "captured" by private, not collective, interests.

**Governments should not assume that there is a consensus on the role of governments, as this often leads to policy failure.** So does misunderstanding and underestimating the role of alternative sources of authority and influence, such as the family unit, local leaders and providers, and belief systems – both those of civil servants as well as those demanding public services – which may mediate or displace the state-citizen relationship.

**To discuss the role of the government in practice, context is paramount.** There are at least four traditional roles that governments play: (a) provide security and peace; (b) provide public goods, (c) regulate markets, communities, and people, and (d) raise resources to enable governments to perform this role. In addition, governments play less tangible roles such as (e) leadership, coordination, and inspiration.

## Guarantor of Public Safety and Security

**The role of government as a guarantor of public safety and provider of law and order ultimately depends on its ability to monopolize the legitimate use of force.**[50] The role of government to maintain peace and security has in fact been increasing (not decreasing) as the nature of safety evolved with more interdependent societies and extended expectations of safety. The number of

> "Governments' roles depend on three basic capabilities: to raise resources, regulate markets, and provide collective goods."
>
> — Tim Besley

threats related to terrorism, climate change, and natural disasters is a growing concern. This requires greater efforts from governments around the world, not least in countries where governments lack resources and capacities to fulfil all roles at present.

### Provider of Public Services

**The dominant way in which governments intervene and spend public resources is to provide citizens with goods through which they establish legitimacy** (World Bank, 2017). The vast majority of governments provide crucial public services—from judicial services to education; from healthcare to road infrastructure; from policing to land registration. In fragile and conflict-affected countries, governments may struggle to (or choose not to) play even a limited role in provision. Instead, militias may provide security and administer justice; religious organizations and NGOs may provide basic services; and humanitarian organizations may provide safety nets.

**During the 1980s, rich-country governments led a global drive to privatize the provision of many goods, and this was replicated in middle and lower-income countries in the 1990s and early 2000s** (Yeyati and Negri, 2021). Governments abandoned the direct delivery of many government-provided goods such as energy, telecommunications, and air travel, but retained extensive direct involvement through State Owned Enterprises (SOEs) (Yeyati and Negri, 2021). Governments subsequently played the role of regulator of newly liberalized "markets" in some HICs.

**From the early 2000s, a greater emphasis was placed on expanding public provision of basic social services and infrastructure in LICs.** This was, in part, motivated by the poverty reduction agenda sponsored by the international community that coincided with countries' political interests. Attention shifted somewhat to economic infrastructure, and establishment of social safety nets over the first two decades of this century. The pandemic also expanded the expectation of governments to play a role in provision in public health, social safety nets, and private sector protection.

**Over time, LIC and MIC governments have taken on roles as providers that they cannot credibly manage.** Often, they are motivated by incentives to project power in order to maintain political dominance domestically. Sometimes, countries are placed under pressure from external donors advocating for greater government provisions to address problems faced by society, regardless of whether the government has sufficient executive restraint, commitment to wider social goals, revenue collection, and basic laws to provide the needed services (Andrews, Pritchett, and Woolcock, 2017). External partners and domestic interests rarely encourage governments to make choices between the different services they could provide, or to provide fewer of some.

### Regulation

**Regulation is a critical tool to influence behavior and address market failures.** Relatively light-touch regulation has enabled the rapid expansion of new technologies in the 21st century. Yet such regulation also contributed to severe failures of social wellbeing, including those caused by the global financial crisis, and national failures such as prescription drug deaths in the U.S. and Pakistan (Khan, 2012). Choosing a lightly regulated approach to all industries, regardless of their externalities, is a political choice. While in some areas this may be appropriate, in others it may have serious negative consequences for societal cohesion, economic growth, and environmental quality. The financial sectors in rich countries required competent, interventionist regulation, but this did not take place pre-2007. Subsequently, government bailout money was distributed to what many people consider a narrow, unaccountable elite. Similarly, industries that contribute most to the acceleration of climate change remain heavily subsidized by governments, at around 7 percent of global GDP in 2020 (IMF, 2021; IMF, 2018).[51]

> **"While the pandemic may have suggested an urgent need to add new missions, ministries, and mantles to the government toolbox, perhaps there are tasks government should do less of."**
>
> — Kaave Pour

> **"Governments should manage the competing demands of the public and private sectors by taking their responsibility as regulators seriously."**
>
> — Kumi Naidoo

The potential for regulation to influence the behavior of citizens, communities, and the private sector has often been neglected (Cohen, 2019).[52] Regulation that involves non-state actors providing goods and services may be a more cost-effective way for resource-constrained governments to achieve objectives than direct provision. Yet, in many LICs and MICs, a large share of the private sector and employment is informal, and elites may be able to avoid regulation or evade compliance, which limits the ability of government to regulate in practice. Governments that are bad at providing services are often weak regulators and coordinators.[53]

### Raising Resources

**Governments' ability to play their roles of regulation and provision effectively is severely impacted by their ability to raise revenue and employ human resources.** As highlighted in part 1, government revenue and spending per person varies widely. In practice, the capacity to raise revenues as a share of GDP is heavily tied to national GDP per capita, although there are notable variations around the world, such as South Asia where tax take is relatively low. Many populous LICs in SSA are taxed at a lower share of GDP than they were at the start of the 21st century, while some smaller LICs and many LAC countries have raised more revenue over the past twenty years as they have become more prosperous.[54]

### Other Roles

**Governments can play less tangible roles, such as leader, coordinator, inspirer, informant, cajoler, and, in certain spheres, coercer.** Governments generally need assistance from citizens and non-state actors to create needed change, collect taxes and apply formal regulations. While coercion can be a strategy to achieve change, governments need to carefully evaluate when this may be the most desirable method. Effective governments can more subtly influence changes in behavior by informing citizens, making non-binding requests of them, or using respected figures to inspire change. Notable government interventions over the past two years include coordinating health messaging via trusted intermediaries (Banerjee et al 2020) or persuading citizens to "stay at home" (Vyborny, 2021). In the 21st century, successes have included the continued spread of government campaigns for social goals such as stop-smoking campaigns and informing girls of the benefits of staying in school. During a crisis, governments may act as the leader and coordinator at national and local levels. They often take the lead to provide information and organize resources in case of disasters. Despite a decrease in trust in public institutions in some regions and countries, governments remain the authoritative communicator on many issues.

**The role governments assume depends on the objectives they aim to achieve.** While objectives related to education or judicial services can be achieved through direct service provision, other objectives require a mix of roles:

- **For example, climate change mitigation and abatement have emerged as objectives for governments in recent years, yet governments have been struggling to make progress.** A key market failure is the price of carbon, and a key role of government would be to intervene through taxation, reduction in prior subsidies and regulation of markets to increase the cost of carbon. Although, globally, governments' fossil -fuel subsidies have been increasing since 2015, driven by countries from the former Soviet Union, elsewhere significant reductions in subsidies as a share of GDP have been taking place (Figure 29). Imposition of market instruments and taxes have been very gradual and subject to trial and error (Figure 29, Figure 30). They have been subject to strong vested interests from polluters. A further political constraint is that fiscal space and capacity is lacking for LICs and LMICs to compensate poor households for increasing the price of carbon, which makes them unattractive.

- **Similarly, governments have struggled to make progress in reducing inequality.** This may involve governments playing roles in progressive taxation, redistributing resources towards the poorest in society, and providing social protection, education, and health services that enable equality of opportunity. Several governments have redistributed to the less poor, exacerbating inequality (Inchauste and Lustig (eds.), 2017). In practice, taxation tends to be regressive, and only widespread labor market informality has prevented worse outcomes from regressive taxation designs (Bachas, Gadenne, and Jensen 2021). Safety nets have been expanding (Box 4), but vary widely, with low-income Ethiopia protecting a greater share of its people than middle-income Nigeria (World Bank 2022). Ultimately, governments playing roles oriented towards achieving redistributive objectives may be hampered by wealthy elites, who stand to lose from them.

**Figure 29: Globally, carbon subsidies, including under-taxation, continue to grow.**
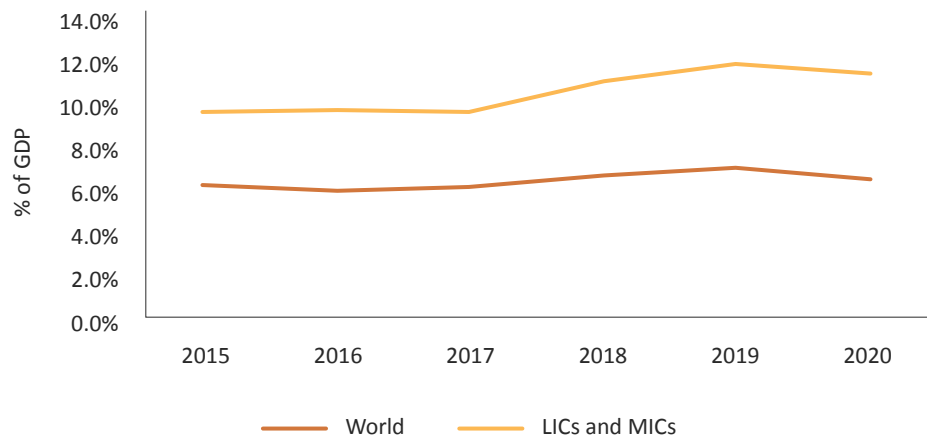


*Source:* IMF, 2021.

**Figure 30: Carbon pricing is not being used enough, although coverage is improving.**
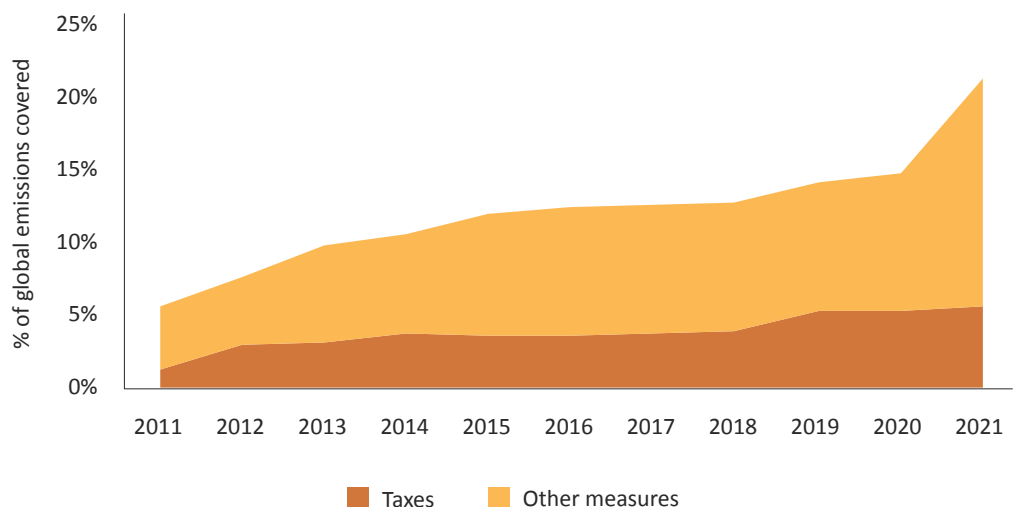


*Source:* World Bank Carbon Dashboard, 2022.

**Figure 31: Effective regulation can be key to influencing private behavior.**
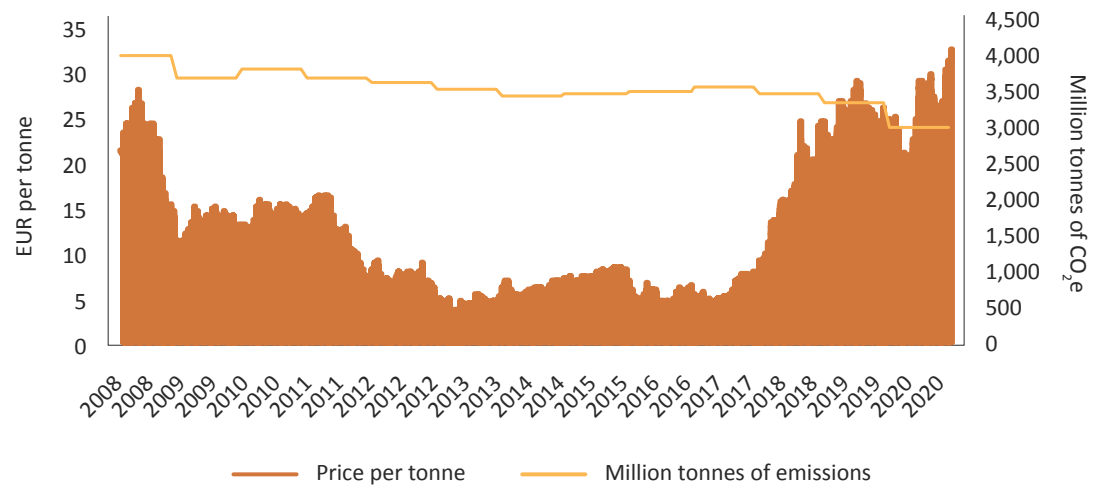


*Source:* EU, 2021.

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**Box 4: Social Protection: The Political Dimensions**

In LICs and MICs, digital cash transfers can reach a lot of people with fairly limited administrative costs, driven down by extensive digitalization and new technology. Like vaccines, cash transfers require straightforward logistics. Governments, humanitarian actors and donors can adapt a policy quickly to scale transfers and respond to crises. For recipients, policies on transferring cash are easy to understand and verify. The funds can be used to purchase crucial goods that governments are unable to provide directly, leading to increased well-being.

Coverage has expanded: countries are providing more cash to more people than ever before: "Over 1.39 billion people were covered by social assistance programs in 2020-2021" (Gentilini et al., 2022). More tightly targeted social protection is cheaper but may enjoy lower levels of political support and miss many of the poor (World Bank, 2020; Beegle et al., 2018). Social attitudes play a strong role as to whether social protection is expanded to certain minority groups. In rich and poor countries alike, politics and cash favors older citizens (Beegle et al., 2018), and it remains to be seen whether COVID-19, which resulted in an explosion of new social protection policies (Gentilini et al., 2022), has shifted these attitudes.

Evidence is mixed on the structural and growth effects of safety nets. Cash can alleviate poverty or target those most likely to make productive changes in their lives; some research identifies a tradeoff between these two aims (Beegle et al., 2018, Bastagli et al., 2016). Cash has been critical for several reforms; for example, the gradual shift away from fuel and food subsidies had profound fiscal and efficiency implications in the cases of Egypt and Indonesia. In low-income countries, extensive programs are often unaffordable. Coverage and adequacy of cash transfer programs differ a lot, and many countries have not built out much of a safety net (Beegle et al., 2018). Nonetheless, today's governments are investing in social

protection "earlier" in GDP per capita terms than high-income countries did historically. Social assistance has been shown to increase non-recipient welfare (in Kenya, Egger et al 2021) but there is mixed evidence on the effects of transfers to adults for long-term private prosperity (such as in Uganda (Blattman et al 2019), with better news in Mexico (Parker and Vogl 2020)). Cash which expands early life choices and cognitive capability—such as preschool attendance and nutrition—should be a sure bet to increase prosperity (World Bank, 2019). However, the bottom line is that cash transfers can't buy quality government services: vouchers have had limited impact (Epple, Romano, Urquiola 2017), and purchases such as private schooling can't buy rich-country quality even for the richest fifth of people in poor countries (Le Nestour, Moskovitz, and Sandefur, 2021, Pritchett 2021).

**Governments' role at national and local levels varies.** The principle of subsidiarity posits that government functions are best performed at the local level, and higher levels of government should only perform functions that cannot be performed at a more local level. A trend to decentralize power and responsibilities for government delivery of goods and services in the early 21st century to subnational governments has stalled and even reversed in many countries, often not having the desired effects nor sufficient financial support. Tensions between the roles and responsibilities of government entities at different levels and in different sectors has continued to surface. Thus, some countries face government competition at different levels for resources, overlapping mandates, and opposing incentives (for example Adelman et al 2021). The question of what role government entities should play and at what level will continue to pose challenges as it is often heavily politicized. The *de facto* roles played by different levels of government are often linked to the sharing of power and resources among different elites and groups within a country. They are not based on a technical decision about the most effective role for a given entity. The COVID-19 crisis has further highlighted the tension between national and subnational governments in many countries, with central governments often attempting a centralized response to decentralized problems. Subsequently, many central governments quickly recognized the critical role of regional and local governments in responding to the pandemic (Kunicova, 2019).

> "Over history, pandemics often accelerated existing trends. The question is whether demands of citizens are actually changing - or are we seeing them in different ways?"
>
> – Molly Morgan Jones

**Overall, there has been a trend for governments to assume increasing roles despite an often less dynamic increase in the resources available.** Ideological debates about the role of the state continue to rage, and the role government plays in practice is the result of the local context and local decisions. One thing we do know, is that in general COVID-19 led to an expansion in the role of governments in public health and social protection. We also know that the threats and impacts from climate change is increasingly leading to situations that require more proactive government fiscal policy and regulation if they are to be tackled effectively. However, the amount of resources available to many governments has not been growing dynamically as shown in part 1.3. This is leading to an inherent tension for governments of the future on how their future roles can be delivered within the resource envelope available, and without addressing some of the fundamental problems that underlie government's effectiveness and efficiency, such as corruption and elite capture. The role of governments in different countries clearly varies, and the response to this inherent tension is one that will be grounded in the local contexts.

**THE ROLE OF GOVERNMENT**



## GOVERNMENT
## OF THE PAST

... continues to be limited in what it can achieve by focusing on provision only, maximizing its role; and fails to take advantage of the capabilities of communities and the private sector to help meet its objectives.

## GOVERNMENT
## OF THE FUTURE

... reimagines its roles in provision, regulation, leadership, and coordination based on its capability, with the expectation to maximize what the public sector, the private sector, and communities can contribute together to achieve its objectives.

Renewing the social contract starts with a government reviewing and reimagining the roles it plays in the light of the needs and demands of citizens, its resources and capabilities, and the resulting objectives it sets for itself.

**The role of government communications can be an influential tool in guiding and managing citizen expectations and explaining the limitations and trade-offs faced by public policy-makers.** A government needs to understand how its own capabilities and resources limit the actual role it can play, and that there may be a significant gap between this and the current expectations of citizens. Leaders in government need to understand and manage expectations, and to tailor the role it can play accordingly. One area where government actors can do better is to manage the communications to citizens, so they are better informed about the trade-offs policy-makers are making. Citizens need to be made aware of the constraints faced by governments. In doing so the gap between the expectations of citizens and actual outcomes can be reduced, which will contribute to a more stable social contract.

**Transparency can be used to empower non-elites and raise awareness of which groups are benefitting from the status quo and/or proposed reforms.** A government also needs to be aware of the interests of elites, and that it will be encouraged by those elites to play certain roles and discouraged from others. Those within government may be compelled to serve the interests of elites, or motivated by their own private interests, rather than solely working towards the benefit of the country and society at large. Vested interests of elites and bureaucrats also may limit the ability to modify the role of government.

**Developing policy and implementation plans that are tailored to the capabilities of both State and non-state actors, and partnering more with the latter could provide new opportunities to achieve economic and social objectives.** Given the limitation of its own capability as a provider, governments need to explore how they can influence and unlock the capacity and resources of non-state actors, including the private sector, civil society, and communities, in pursuit of their objectives. This involves exploring the government's role as regulator, leader, coordinator, and influencer. Tailored regulations and influencing of behavior may be key opportunities for cash-strapped governments to reduce pressure on limited resources. To achieve effective regulation, governments will require commitment, consistency, and the right set of capabilities.

**There are opportunities to revisit the roles of government at different levels, including the balance between local and central government in making rules, collecting resources and delivering services which could enhance effectiveness of government's role.** The roles a government plays also need to be aligned to the objectives it wishes to achieve. A government needs to examine its role in different sectors. It also needs to examine the roles that different levels of government can play, and localizes provision and regulation where possible and appropriate, understanding that this involves redistribution of power and resources, and requires capability at multiple levels of government.

**Building coalitions and listening to non-state actors can help determine the role of government and focus on where other actors will not come in.** Ultimately, while a government should aim to expand the resources available to it and its capacity over time, it needs to determine which roles it can and cannot play given the critical needs of its citizens and its capability and resources. Deciding what roles to play and not play needs to be influenced by and communicated to and accepted by all citizens, allowing it to form the foundation of a stable social contract. For example, in many jurisdictions, government's role may not be to *provide* basic education or clean water since this is already being undertaken by CSOs or private agencies, but government's role is more appropriately tailored to ensuring that these sectors are regulated and/or subsidized so that quality and access objectives can still be achieved.

**CONUNDRUMS AND CHOICES — ROLE OF GOVERNMENT**

When reimagining the role of government, Governments of the Future may need to jointly consider a set of conundrums and choices together with non-state actors in an open, and transparent discussion. These include:

- **Expectations and capability:** Governments should not just consider the role citizens expect and demand it to play, but also what its capability allows it to play. The resources that a government can raise, redistribute and deploy are a critical determinant of what governments can achieve and what objectives they can set themselves. They need also to manage citizen and elite expectations rather than exaggerate what can be achieved.

- **Provider, regulator, and leader:** When governments consider how to reach their desired outcomes, they need to decide whether they are best served by influencing the behavior of others to provide collective (public, merit, common) goods through regulation. Or whether their role is to provide goods and services itself. Governments should also consider the role of governments as a leader, and actively use it to coordinate and influence action and behavior outside as well as within governments. Governments should proactively seek alternatives to provision that leverage the capability and resources of non-state actors, as they likely to be more cost effective. While regulation and other roles may be cheaper than service provision, it is critical that governments have the capability to regulate.

- **Central and local:** Even when taking into account the principle of subsidiarity, the most appropriate level to carry out a task might vary across sectors and a nation's territory. More fundamentally, the distribution of roles across levels of government, may be limited by the balance of power and interests of different levels of government, associated elites and communities. Governments need to recognize the roles that different levels of government can play, how power and resources are distributed across different levels of government and localize delivery of public services where appropriate and feasible.

- **Society and elites:** A social contract relies on broader society and citizens benefiting from the bargain with the state. A stable contract is likely to involve some degree of redistribution from those who have more resources, who are likely to have more access to power. Many states do the opposite which builds up long term risks to the social contract. Any breakdown of the social contract usually hurts national elites as well as the rest. Governments should seek to push the boundaries of what is possible in terms of equitable distribution of resources and availability of services in the social contract, whilst ensuring elites understand the benefits for them.

# HOW CAN GOVERNMENT DELIVER?

**BACK TO THE FUTURE**

**"Delivery" concerns** *how* **governments raise resources, provide goods and services, regulate industry and society, and lead and coordinate.** Government progress in emerging and low-income countries has been strongest in traditional, straightforward social provision, such as basic education and healthcare. However, even the best-intentioned governments have been challenged by the expansion on their ability to deliver quality services and regulation, which achieve development results, prompting several to comment during the debate series that partnerships with non-state actors are key.

**There is huge scope for non-state actors to finance and deliver goods and services—that are considered to be key to government's core role.** Some argue that non-state action – substantial "freedom to be and to do" (attr. Sen 1980) - is the ultimate goal of what government and wider society produces. As shown in Figure 32, there are a range of public and private delivery models. For example, the provision of goods and services can be direct by government agencies, or semi-autonomous bodies or delivered by an entity partly owned by the government. Most governments employ these models to some extent.

> **"Government alone cannot deliver. They must partner with non-state actors to be able to meet the demand."**
>
> – George Werner

**There are several challenges with more complicated institutional delivery models, including holding the service provider accountable.** Public-private partnerships of various forms can deliver, but one of the problems with this approach is the principal-agent problem of accountability. There may be less clarity for citizens on who is responsible for delivery (Sullivan, Dickinson, and Henderson (eds.), 2020). It may create alternative channels to hold service providers accountable, or those channels may not be in place. But the downside of this approach may include higher capital costs and the costs of private returns and managing often powerful arms-length providers. In addition, there is often less flexibility for governments to change resourcing later on.

**The potential for countries to delegate power to and work in partnership with non-state actors has been increasingly undervalued.[55]** Many governments have not enjoyed sharing or competing for authority and have reduced the space for non-state service delivery, by some measure, in the majority of countries since 2012.[56] Bangladesh is one exception, which relies on non-government provisions to a greater extent than most countries (The Economist, 2021). Clearly, some states, such as those affected by fragility and conflict, have little choice but to partner with non-state actors if they want to deliver more services than they can organize or fund independently. However, trying to coordinate with non-state actors demands resources and capability for governments; and certain aspects of this role may be better played in some countries by using alternative trusted actors, such as religious organizations. The space for non-state activity has narrowed in many countries, even as the engagement efforts from citizens towards government intensified.

**As an alternative, many governments have tried to import practices from non-state actors, with limited success,[57] although one thing—focusing on the citizen—is key.** Specific interventions which have been effective in the non-state sector, have often fallen on fallow ground when implemented by the state apparatus in developing countries (Vivalt, 2015; Bold et al., 2013; Kerwin and Thornton, 2020; Pritchett, 2020). Whatever shape they take, government provisions should have a consistent focus on the needs of citizens and other stakeholders such as domestic civil society organizations (CSOs) or the private sector. This requires regular consultations with citizens, CSOs, and the private sector to learn, instead of thinking that governments know best and confuse their own interests with those of its citizens.

**Figure 32: Different types of delivery in the context of different government roles.**



**Public sector regulates the service**

**Public sector provides the service**

| Direct Government Delivery | Public Agency Delivers | Delivery contracted out to non-state actors | Public-Private Partnerships | State Owned Enterprise Delivery | Private Delivery |
|---|---|---|---|---|---|

100% public finance         0 to 100% public finance         0 to 100% subsidy
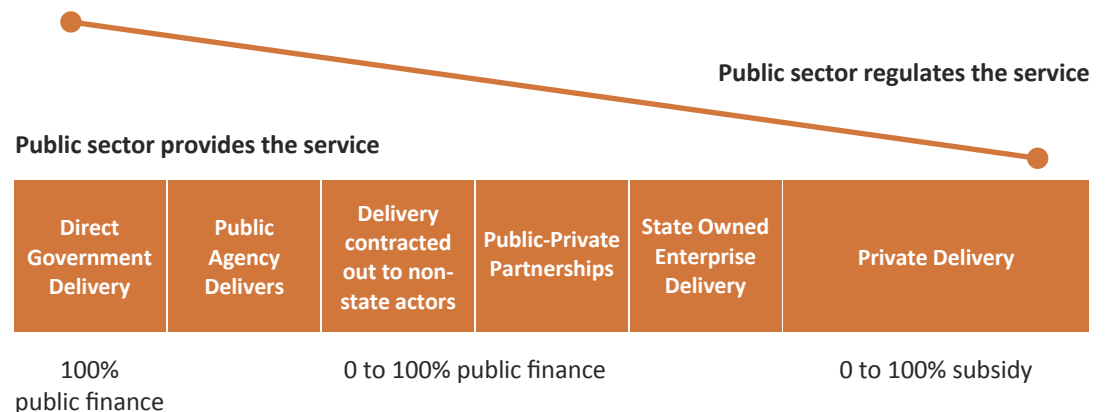
*Source:* World Bank (forthcoming).

**In addition to increasing the role of regulation, there is also significant scope for better design and implementation so that government delivers against policy objectives.** As described in part 1, one failure of government is that regulation may be poorly designed, overly complex, poorly targeted and does not take into account governments' capability to implement. Governments may also be inconsistent in the application of the rules, or even using rules and regulation to favor specific groups as such the application of the regulation in practice can be very different to what is on paper. Governments may not have the capability or the interests in enforcing regulation that is developed, and elites are often able to avoid regulation, undermining credibility. Politicians', civil servants' and citizens' perceptions of their own interests are important for making regulation effective. But where potential benefits are considered significant enough, for example with new network goods such as mobile telephony, governments have authorized change.

**While the center of government may have a limited direct role in delivery, it can drive and enable government delivery through other means.** There are many examples of governments that have successfully improved delivery by bringing presidential or mayoral power, information, and capable managers to bear on a few key issues (Artis, Barber, and Rodriguez, 2015; Lafuente and Gonzalez, 2018). There are also examples of governments (including China, Tanzania, and Ethiopia) that have improved delivery in many areas at once, either through successful delegation, use of political and other non-state organizations to support bureaucratic functions, or by resetting expectations of civil servants and increasing the price of failure. Others argue that freedom is the fuel necessary for a genuinely effective government (Easterley, 2006). Either way, various tools have been developed, such as collective problem identification, priority setting and measures of success, establishing cross-agency coordination structures, and the development of delivery units to help tackle delivery issues (Brown, Kohli, and Mignotte, 2021). Cabinets and cabinet committee structures also may be important in inter-ministerial coordination and accountability. In Rwanda, the Imihigo process, was built on traditional practices of setting and achieving goals. It has been used to promote ministerial and local government performance and accountability (World Bank, 2020).

**There is emerging evidence supporting greater autonomy for sub-national levels of government, delivery entities, and individual public sector workers** (Rasul and Rogger, 2016; Rasul, Rogger, and Williams, 2018; Williams, 2016; Hanushek, 2019). But this depends on the task: for example, India's green electricity procurement is better done at the center than carried out by the states (Ryan, 2021). Central government in China accepted its limited capacity and ceded power to local government, and also putting firms not public services, first (Box 5: Firms first?). Decentralization of power and resources also allows for variations in the needs of communities in different places to be addressed. Citizens also often want an accountable, local, human face. Central government often uses intergovernmental fiscal transfers as a tool to promote and incentivize local action that is in line with national priorities. But it often attempts to do this by controlling how funds are spent, not by monitoring and encouraging program performance.

> **"Multilevel governance structures […] strengthen our capacity to identify and respond to local needs. Local and community knowledge is vital to respond to local needs. [The center needs to delegate] greater responsibility to act at lower levels."**
>
> – Molly Morgan Jones

**Box 5: Firms First?**

Today's senior officials in LICs face agendas every day that are as or more crowded as those of rich countries. These officials (often entreated by donors) are typically focused on getting better at what ministries of health, education, social protection, tax authorities, roads authorities, are mandated to do, based on "the" reference model, today's high income governments. Making these services in Burundi closer to what the Swiss might expect is often the order of the day. But Burundi's government spent $94 per capita a year on all of its services at all levels in 2019, while Switzerland spent $31,495. Scale doesn't help much: Nigeria's 206 million people shared an annual total of $51 billion of government spend in 2019. Switzerland's government spent around $270 billion on less than nine million people.

Increasing GDP per capita is critical. Governance laws, practices, and poverty incidence evolve tightly with per capita GDP levels. Based on the recent experiences of the fastest-developing states, to get a great, good government, Burundi and Nigeria would need to incubate and cultivate large, productive firms: the taxes from which, and those of the people they employ, fund the government.

China's example is complicated: it is an enormous country with different localities at all stages of development, and a government that has long had deep domestic legitimacy and authority. But in the round, China's recent catch-up story, which enabled the most rapid, largest eradication of poverty of any time, appears to be about the radical acceptance of the state's limitations. This was achieved by putting firms, not the rules but their actual business, first. "China […] built markets with weak institutions." (Ang, 2016). China focused on displacing what was currently there, rather than sustaining it by attempting to adopt the forms of institutions that sustain prosperity in already-rich countries. The central government in China radically accepted its own limitations and ceded power to local governments for a prolonged period. The center set broad policy guiderails for localities to work out how to improvise their way to prosperity, initially making small possible changes to catalyze larger ones (Ang, 2020).

This fusion of public and private interests was a feature of the state, rather than a bug. Instead of immediately trying to build strong institutions and decent public services, however critical and desired they may be, there was a sub-summation of local governments to the economic growth imperative. This included officials posted to their departments such as education and health, into the central task of servicing firms in China, by any means necessary. "Each agency has to perform its formal functions (for example environmental protection, law enforcement, personnel management), but at the same time they are all enlisted to prospect for investors for their home state." (Ang, 2016).

**Tackling the health and economic impact of COVID-19 required government bodies at different levels to work together to deliver needed interventions, with governments often reacting by centralizing the decision-making process (OECD, 2021).** However, governments often got the locus of delivery and decision-making wrong, undermining effectiveness.[58] Determining whether local or central decision-making is preferable is certainly a complex choice- and it can vary based on the sector.

**The capability and quality of institutions are important for delivery and for regulation.** However, as described earlier (part 1.3) the quality of government has been stagnating. The ability of institutions to carry out their core functions is important. Also core administrative functions of government, are critical for functioning of service provision and regulation. For example, underpinning the ability of governments to provide and regulate are three sets of records or lists – land, people, and businesses – but often governments either neglect to collect the information, have competing facts, or poorly manage these lists (Box 6). The COVID-19 pandemic also illustrated the importance of maintaining the capability to respond to crises. For example, using tax registries as the basis for bailing out businesses, social protection payments, and public health infrastructure.

**Box 6: Three Lists for Regulation and Provision**

There are three important lists for governments to be able to help citizens and raise resources. They include: a civil registry that records births and deaths connected to a trusted identification system to enable social safety programs; cadasters, which determine the owners of property; and business registries that record active businesses.

Civil, business and land registries might support policy reforms, but aligning any reform with the contents of these lists is critical. The use of a list is after all a political decision—for example, property taxation is a tax on the wealthy, setting up land registries may thus gain only symbolic value for external partners and serve as substitutes for difficult and important reforms (World Bank, 2022b). Using land registries has helped inform difficult, pro-poor land reforms, which reallocated ownership, and helped to underpin a massive increase in agricultural productivity. It also contributed to remarkably high, persistent, equitable growth in East Asia (Studwell, 2014), in contrast to decades of failed attempts at land reforms in neighboring South Asia.

Like most regulatory tasks, sustained bureaucratic attention is required to keep the list for dynamic land uses in urban areas current. Complete records bolster state capability to quickly respond to disasters, for example, through social protection programming. But a key determinant of new interventions was prior programming in the same vein; political will to spend, not recordkeeping, is the key input (Gentilini et al., 2022; Beegle, Coudouel, and Monsalve (eds.), 2018). Countries with good digital social registries were able to quickly build new elements of their social safety nets during the COVID-19 pandemic (Gentilini et al., 2021), but previous social assistance programming was decisive. Governments without registries had to improvise, including through the use of mobile phone records to quickly identify the recipients that required support in Togo (Aiken et al., 2022).

For more information on this topic, See the Future of Government discussion in February 2022 on these three lists.

**Governments often embark on large-scale public sector reforms to deliver without considering the capability of existing institutions, often resulting in failure.** When capability is lacking, governments will struggle to implement new policies and regulations effectively, although the gap between capability and legislation will depend on the sector (Figure 33). For example, post-Soviet privatizations encouraged by international actors abound with examples of reform failures, where governments had no existing capacity to regulate the newly created markets. More recently, failed 4G spectrum auctions in India stemmed from weak institutions (Tony Blair Institute, 2021). According to the literature on capability traps, reforms that put too much stress on existing institutional capabilities can actually undermine the functioning of the public sector and governments can be caught in capability traps (Figure 34), where any existing capacity could collapse.

**Figure 33: The capability-legislation gap depends on the sector.**
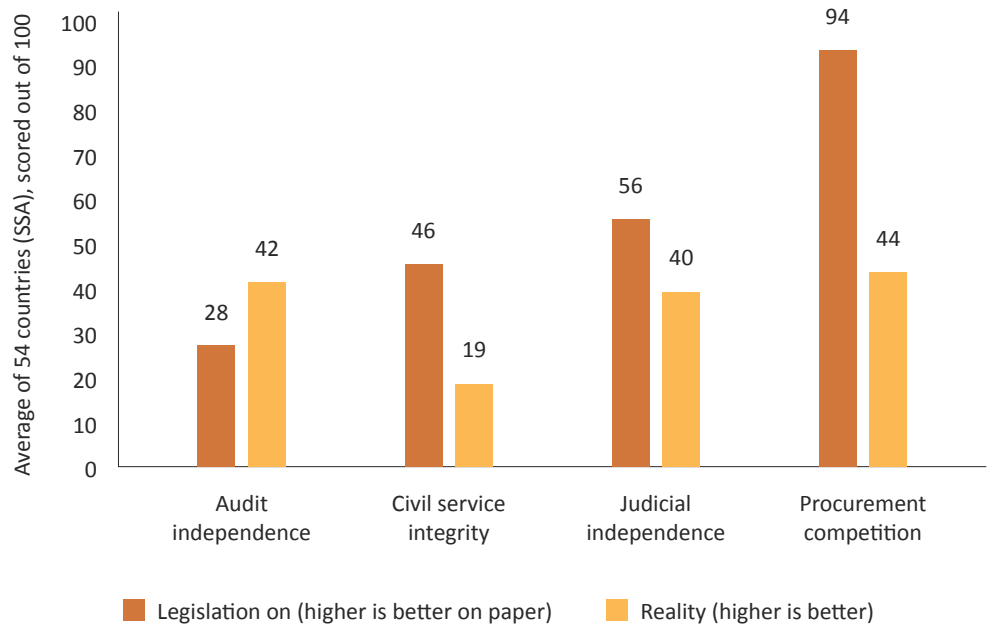


*Source:* Global Integrity Anti-Corruption Evidence in Vdem 11 dataset.

**Figure 34: Capability traps – the result of putting too much stress on existing capability.**
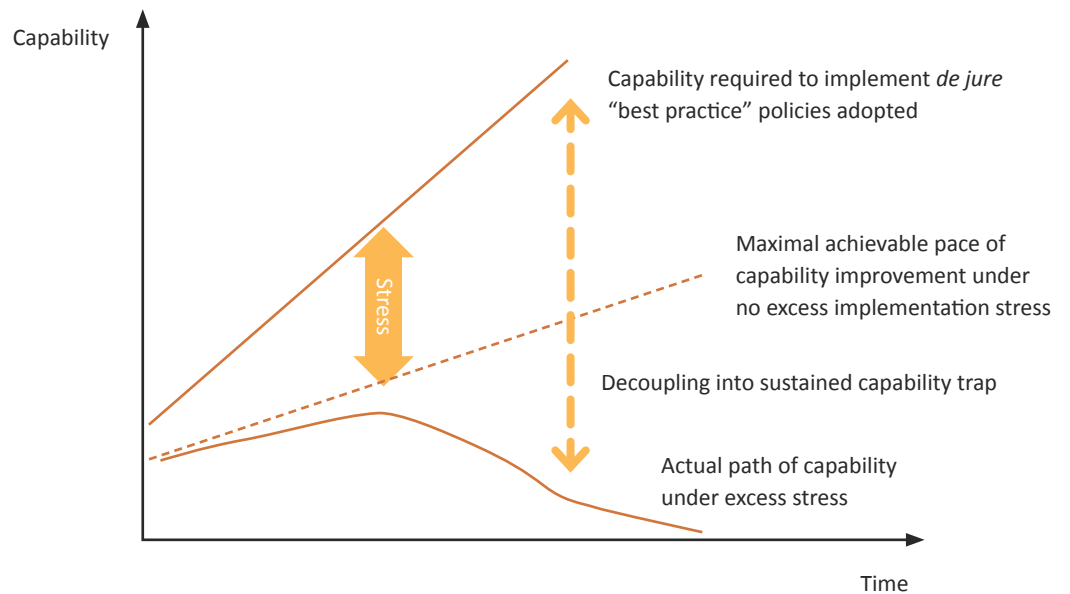


*Source:* Reprinted from Andrews, Pritchett and Woolcock 2017.

**Reform efforts to improve delivery in different sectors and areas are often fragmented and incoherent.** What may individually appear like a logical solution, may have unintended consequences when combined with other reforms (Box 7). Addressing the unforeseen consequences of well-intentioned sectoral reforms that go wrong requires an adaptive approach and sustained attention to what is actually happening across sectors.

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**Box 7: Regulations Can Give Unforeseen Consequences**

Fishmeal production is a large industry in Peru (Hansman, Hjort, and Leon, 2019). But the fishmeal value chain also causes overfishing and air pollution, negative externalities that are not reflected in prices. As a consequence, the government of Peru legislated and issued permits to avoid overfishing. This was effective: the result of the regulation was a more gradual supply of fishmeal over an elongated fishing season. But this has led to increased health effects from fishmeal-produced air pollution. Fish factories ran fishmeal production more regularly. (It turns out that a long slow dose of air pollution was worse for human health than a series of shorter larger doses). As a result, over 55,000 additional hospital admissions were recorded each year. Health costs likely exceeded industrial benefits from this new regulation.

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"During COVID the conversation changed [..] the organizations I work with have shifted from seeing technology as this technical thing to [...] a core way to deliver against core mandates."

– Clement Uwajeneza

**Technology has increased the options available for how the public sector can deliver and regulate, but it also has its limitations.** Turning the promises of digital solutions into tangible, measurable and consistent outcomes remains challenging in most countries (Dener et al., 2021). Technology has further reduced the need for physical interaction with citizens in the delivery of some services, such as communication, regulation and taxation. The pandemic has demonstrated that many functions can be delivered remotely and that digital identification and payments from government to citizens can be scaled up rapidly, effectively and responsibly (World Bank, 2022a). Yet it has also illustrated the limitations of certain solutions where face-to-face interactions yield better results, particularly in education or healthcare.

Technology is neither necessary nor sufficient for many high-potential government reforms. Only the children of the richest households could hope for school-equivalent, home-based learning progress during the COVID-19 crisis, and only a tiny fraction of children in Africa are estimated to have had access to online learning materials during the pandemic (Crawfurd, 2020). Some recent ICT-driven interventions centralize decisions on how service delivery is executed. Moreover, some new technologies create natural monopolies and opportunities for anti-competitive practices which make regulation harder (examples include retail and repair of machinery). Some technologies present temptations to governments to surveil and control citizens at lower cost, rather than reform to seek legitimacy. In many countries, delivery reforms often follow the interest of local elites, distributing rents according to whatever group has the political power to enforce their will.

**HOW GOVERNMENT DELIVERS**



## GOVERNMENT
## OF THE PAST

... continues to look inwards, not serving its own citizens' interests, expanding government rather than improving delivery of services and regulation. It loses sight of the needs of citizens and the quality of delivery stagnates while the bureaucracy expands. Motivated by power and bureaucratic interests.
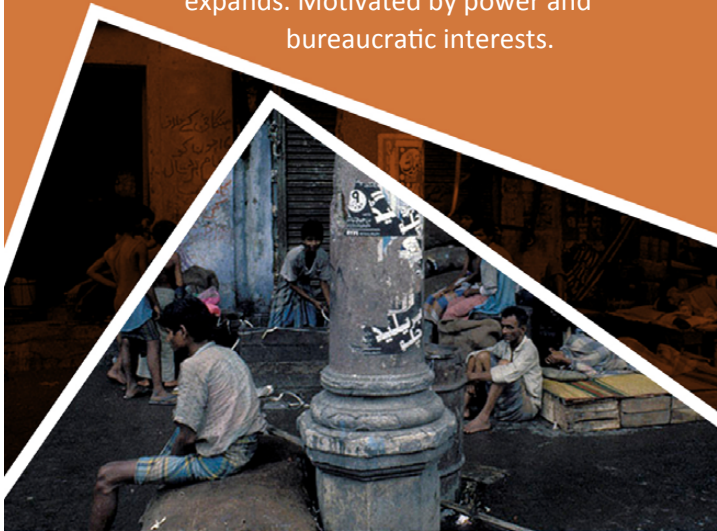
## GOVERNMENT
## OF THE FUTURE

... with a clear focus on the objective and the citizen, rethinks how it delivers and who drives, enables, and ensures delivery. It unlocks and builds new capability, while it collaborates and ensures quality in what it delivered.

### THE GOVERNMENT OF THE FUTURE

"Building agility into the existing workforce and training it for the future is essential. Governments should not only invest in technology, but in people, too, aiming to be not only high tech, but high touch."

– Peck Kem Low

**In the future, governments will need to search for delivery improvements, both through existing and new government roles, as the fiscal challenges ahead will call for more efficiency and citizen's expectations call for better quality and inclusive access.** Governments need to have a clear focus on the needs of the customer: the citizen. This will involve rethinking on who drives, enables, and ensures delivery—whether through regulation or provision. Governments will need to unlock and build new capabilities, collaborate and ensure quality and equity in what is delivered. This culture will have to be instilled at every level of government. They will have to identify where there are delivery challenges and prioritize the ones with the largest impacts. Governments will need to investigate the underlying causes of delivery challenges more thoroughly and work toward collective solutions; where possible, across as well as within sectors.

**Governments will need to prioritize addressing simple delivery challenges but also not shy away from more complex ones.** Where governments identify a space for change, they should address more complex problems that involve cooperation, coordination, and frequently reviewed implementation.

**Governments will also require a better understanding of the range of different public sector, non-state actor, and private sector involvement in service delivery.** They will need to carefully consider their methods across their existing public provisions and regulations and identify the options most suitable to the local context. This could result in better service delivery.

**Improving regulation can bring extraordinary benefits, whether tackling far-reaching and broad goals such as climate change or in securing jobs and livelihoods, but only if government officials have the capacity and the motivation to design, implement and enforce it.** Getting better at regulation is therefore not a choice, but something that future governments will have to accomplish. Regulation should not just stay on paper, but be enforceable and enforced in practice, and elites need to comply.

**Effective delivery involves finding a balance between driving improvements from the center and empowering local delivery by subnational governments.** While the center of government does not necessarily deliver itself, governments in the future will need to develop tools and approaches at the center of government, which encourage greater performance. This will enable the achievement of its priorities. Governments will also need to ensure that providers and regulators, whether national or subnational, are empowered to deliver and that innovation and decision-making is actively encouraged.

**Governments will need to identify the role technology can play in delivery, whilst recognizing the importance of personnel in delivery, which should be "high tech and high touch."** Future governments will need to understand which services will always remain personnel-intensive, and how technology can best help the customer or the personnel serving the customer. This will be context specific and dependent on cultural acceptance of technology but will also require learning from other countries.

**CONUNDRUMS AND CHOICES — GOVERNMENT DELIVERY**

Future governments may find themselves faced with the following conundrums and choices. In practice, many governments choose to deliver goods and services in a variety of ways even within the same intervention area:

- **Customer or bureaucrat's perspective:** Politicians and bureaucrats may tend to think about public services in terms of how they serve the government machinery rather than the customer or citizen. Governments need to purposefully think about how to put the customer at the center of how it chooses to deliver goods and services.

- **Do-it-yourself or work with others:** Government has many choices of how to deliver public services—whether the choice is government delivery or working with non-state actors to deliver on government's behalf. The choice should be informed by the expected advantages and actual experiences of delivering in different ways. There are three lenses to help clarify this choice:

  - **Using public sector or private sector capability and resources.** The first choice is whether to use scarce public sector or private sector capability to deliver services. Then, whether to leverage private resources, by requiring customers to pay. Finally, deciding whether to use public resources to pay for public services universally or for target groups.
  - **Managing staff or managing contractors:** By contracting-out or delegating to non-state actors or independent agencies, governments replace an employment relationship with a contractual one (with the government managing one or a series of subcontracted parties instead of employees).
  - **Buy in from non-state actors or adapting non-state ideas.** When delivering itself, governments can buy in expertise from non-state actors or try to learn from non-state practices.

- **Enforcing or Enforceable Regulation:** Future regulations will need to be designed with greater consideration of governments' ability to implement and enforce regulation. Governments will also need to enhance their institutional capability to enforce, on the one hand, and consider the power of interest groups involved in this process, on the other.

- **High tech and high touch:** Digitalization might provide a short route for standardized provision of services at scale and has had some transformative successes. Technology can help with standardized, low-interaction transactions, from parking tickets to cash transfers. However, some public services—the typically more complex ones—may always be high-touch, and labor and transaction-intensive. For instance, it is difficult to imagine an education system without some discretionary provider at the frontline, and the existence of teachers and schools.

- **Existing and future capability:** Regardless of the delivery mechanism, government institutions at every level need to have the capability to deliver, whether through quality service provision or effective regulation. Often governments design ambitious reforms to deliver to citizens without sufficient capability to implement them. This can result in failure. Any delivery transformation should be aligned with existing capabilities and the deliberate and feasible steps that can be made to successfully enhance that capability in the future.

# HOW CAN GOVERNMENT BE MORE PRODUCTIVE?

**BACK TO THE FUTURE**

**Governments are facing universal resources constraints amid growing demands and are constantly trying to achieve more within those constraints.** To be successful, persistent inefficiencies in the use of public and private resources, particularly in the workforce, in procurement, and in the deployment and use of public finances will need to be addressed. The public sector is a large employer across the globe. In 2018, 38 percent of wage employment and almost 50 percent of formal employment in LICs and LMICs was attributed to the public sector (Baig et al., 2021; World Bank, 2022b). In HICs, the size and cost of government is only going to increase as countries' economies recover and labor costs increase (The Economist, 2021). Therefore, government productivity matters. Understanding governments' track record in productivity and assessing what can be done to improve it is paramount for the Government of the Future.

**What is government productivity? It is a difficult concept to define (Krawchenko, 2021) but essentially it is what government delivers relative to the resources it deploys.** The difficulty of determining whether a government is productive, or whether a government program is productive, stems in part from challenges in measuring and putting a price on what it delivers. The objectives and outputs of government are not always tangible, involve externalities and are in areas where there is often no market price. A government does not just produce goods and services itself but aims to influence how resources are used by citizens, communities, and the private sector through its actions. Arguably, the paramount productivity concern in low- and middle-income countries is how to transform private sector productivity; otherwise, these countries' governments are "stuck" trying to do everything with a fraction of the resources required. 'Value for money' (Box 8) can be a useful and broad way of thinking about productivity, and the three factors that it encompasses: economy, efficiency, and effectiveness.

**Box 8: Value for Money**

The concept of value of money is used commonly in the public sector. Typically, it is shorthand for focusing on three main factors:

1.   Economy—are resources being spent on the right quantity of inputs at the right price?

2.   Efficiency—(i) are inputs being converted into the best possible outputs, or are inputs being diverted to less good use? (ii) for an appropriate quality, are the inputs being converted into outputs at the appropriate quantity?

3.   Effectiveness—how well is the desired outcome being achieved?

*Source:* Governance Global Practice Offerings on Economy, Efficiency and Effectiveness (VFM) Reforms.

> **"Digital transformation is key to improving productivity and it should be undertaken with a keen eye to understanding citizens' needs. Digitalization is not cheap, but it always pays off. It creates public value in the form of high-quality, low-cost services, and helps to fight corruption."**
>
> – Marta Arsovska Tomovska

**While they may be difficult to define, productivity and value for money problems are often easy to spot**—whether it is children failing to learn at school, clerks taking too many absences from work, corruption scandals, a police officer taking kickbacks, infrastructure white elephants, tax avoidance and evasion by the wealthy, or high debt servicing costs—to name but a few.

**Governments have taken actions aimed at improving productivity in many areas over the past 40 years.** Structural adjustment reforms were implemented in LICs and MICs to reduce inefficiency and waste. They primarily involved public sector restructuring and privatization of inefficient public sector enterprises. But these reforms were not always completed or were reversed, and often didn't result in increased productivity as intended. At times, international actors encouraged reforms without understanding local interests and circumstances or adapting them to really overcome government or popular pushback (Rodrik, 2019). Governments have increasingly turned to the use of technology in the delivery of public services, with the automation of core governance functions, such as financial and human resource management and the delivery of key services and supporting activities.

**On the face of it, it appears that government productivity has improved in the 21st century— governments have been able to achieve substantially more with a similarly-sized state (Pritchett, 2021).** As described earlier (part 1.1), there have been substantial increases in the distribution of electricity, access to education, social protection coverage, and health outcomes. Yet pre-COVID-19, government spending as a share of GDP had not increased over the past twenty years in each national income category. Governments have achieved a lot more (Figure 7) with the same revenue share of GDP (Figure 21).

**However, there are questions over whether many of these achievements are "real" gains in productivity.** As previous sections have shown, there are huge problems in the quality, completeness, and equity of public services. It can be argued that the capability to deliver and regulate has been undermined by drives for efficiency fueled by a reduction in the size of the civil service, privatization, and other factors. Many efficiency drives tend to focus on the wrong things, treating the symptoms of inefficiency rather than the causes. This means that the inefficiencies will reappear somewhere else in the system.

**Waste of resources in governments remains persistently high in developed and developing countries alike.** This includes the inefficient allocation of resources; unproductive use of inputs; relatively high unit costs of procured inputs in the public sector compared to the private sector (Figure 36); poor deployment and motivation of human resources; and overlap and duplication of services delivered. These inefficiencies can be crosscutting or specific to individual sectors. In public infrastructure investment alone, LICs tend to waste, on average, over 50 percent of the money they spend (Figure 35). In emerging market and developing economies,[59] the waste averages over 30 percent (Schwartz et al., 2020). Several problems are consistently present when trying to increase government productivity. They include corruption and vested interests; existing beliefs; poor planning, resource allocation and financial management; difficulties cooperating across bureaucratic and political interest groups; and bureaucratic inertia.

**Efforts to address inefficiencies, despite being well intentioned, may also have adverse consequences.** The introduction of new public management methods, such as the introduction of results into public sector decision-making, have often failed to influence resource allocation and have come on top of controls over inputs that have reduced the discretion of implementers.[60] New e-government systems for procurement and financial management systems may automate problems, create new gatekeepers, and not be accompanied by improvements in compliance (Andrews, 2010). One such example are externally sponsored systems in Malawi, where informality and poor compliance persist (Morrison, 2014; Bridges and Woolcock, 2017). Across the board budget cuts may be made where funds are already committed, creating arrears. Efforts to improve the costing and control of inputs can extend to such a granular level that wastes of scarce bureaucratic resources actually inflates costs and limits the discretion of managers.

**Figure 35: There are huge inefficiencies in infrastructure which hit the poorest countries hardest.**
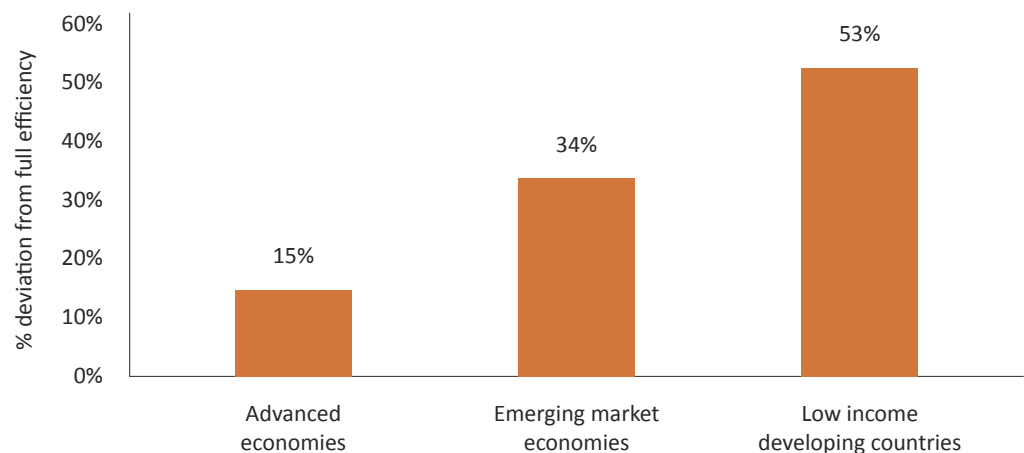


*Source:* Schwartz et al., 2020, figure 3.21, p 35.

**Figure 36: Waste remains a drag on productivity thanks to higher unit costs for procured items.**
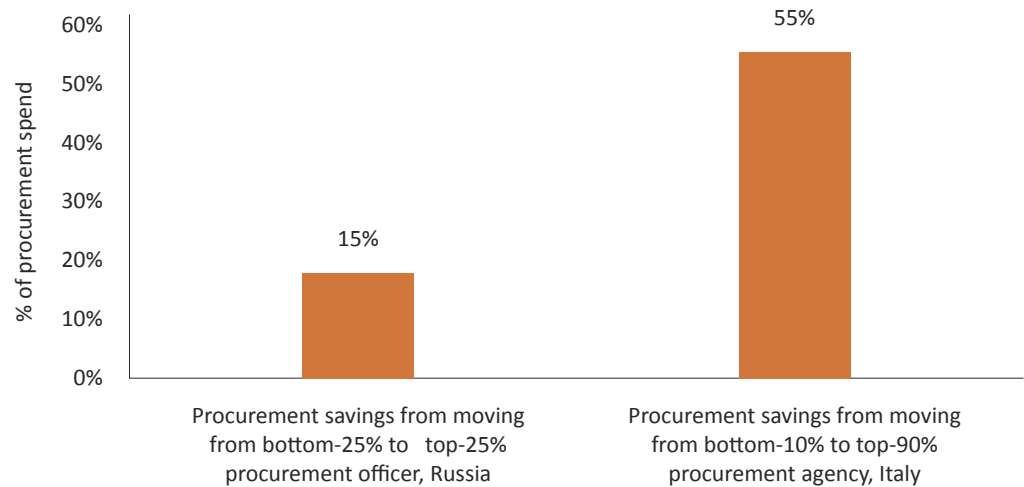


*Source:* Bandiera et al., 2009, Best et al., 2017.

**Misaligned incentives, cultures of corruption, and entrenched vested interests can all thwart attempts to increase government productivity.** In the public sector, it is often easier to *not* take the initiative and change how things are done. There is also an inherent incentive for governments to expand their mandates beyond what is critical and useful. Productivity as a core value is not yet internalized in many public sectors; it is not often part of the culture of the civil service. Culture, norms and values are rarely addressed by existing approaches to reform (World Bank, 2016; Ali et al., 2017).

An example of one World Bank-supported approach that worked, focused on a major procurement deal in Somalia. It ensured continuity of action across authority figures, repeatedly tried again when faced with obstacles, and ended up saving the equivalent of over 3 percent of domestic revenue each year (see Box 13: The Subtle Art of Reforming Financial Governance in Somalia. Such changes may contribute to resetting expectations and beliefs about public conduct in a fragile administration by providing "teachable moments" (Fritz, Verhoeven, and Avenia, 2017; McCullough et al., 2020).

> **"Change does not mean throwing out accountability in a drive for efficiency, especially when there is a history of corruption in the country."**
>
> – Francisco Gaetani

**Public sector human resources are often not productive enough.** When looking at a set of ten African countries, teachers were absent 42 percent of the time on average, and even when present, were not teaching 48 percent of that time. Doctors were absent 33 percent of the time, and nurses 31 percent (see Figure 37). Staff are often poorly motivated with insufficient skills[61]. Available staff are not deployed optimally across service delivery facilities and organizations (di Giorgio et al., 2020), and the skills mix of those employed is often sub-optimal. Reforms to address absences have struggled to take hold in developing country governments, despite new technologies aiding the monitoring (Banerjee, Duflo, and Glennerster, 2008; Callen et al., 2015). Often reform designs required the use of carrots and sticks, which governments were not prepared to wield in the long-term. Moreover, this approach has done little to change civil servants' beliefs about what their interests are (Ideas42 2019, World Bank 2016, Ali et al., 2017).[62]

**Box 9: Behavioral Insights Can Help Make Governments More Productive**

Policy 'nudges' and other efforts to change minds - resetting intentions and prompting those with aligned intentions to follow through with action - has long been used by governments. However, these prompts have been recently understood with greater rigor and measurement. They are being introduced more systematically, particularly by HIC governments. Much can be done to change the perspectives of those inside government for better action at low cost (Ideas42, 2019). Non-financial recognition has been found to be more effective than money in some contexts including spreading health information in Zambia (Ashraf, Bandiera & Jack, 2014).

The most effective tactic and message depends on the context (e.g. Hallsworth, 2015 on revenues). The long-term effectiveness of nudges depend partly on the government response; an SMS to prompt you to go to a clinic for an appointment relies on clinic staff also being present and ready to provide appropriate care. The effectiveness of interventions which emphasize mindsets such as community-led total sanitation depend on community features (Venkataramanan, 2018). 'Ineffective' civil servants may simply be logjammed; asked to do too much, they can be helped with simple protocols, checklists and prompts (Ideas42, 2019).

More prolonged and involved interventions are also aimed at changing minds. Azulai et al. (2020) describes effective organizational culture and performance training for civil servants in Ghana, and World Bank (2018) describes peace huts in Liberia.

One way to change minds is to set an example. Recognition programs such as Integrity Icon in the South Kivu province of the Democratic Republic of the Congo, recognize and spread the word about civil servants whose work far transcended their job descriptions and common practices. In South Kivu, David Ipanga in the armed forces, Marie Mithila Ponga in the provincial office for gender, family and children, Hilaire Ngoie Mwepu in the judiciary and Samulu Mikoso in the police force, were all recognized for prolonged excellence and integrity in 2021.

Policy measures to tackle this are hard. Reforms in India, South Africa and elsewhere to try to motivate public sector workers were subverted due to powerful entrenched interests. This failure critically impacts the quality of services as well as the quantity.

**Figure 37: There are huge productivity challenges at the frontline.**
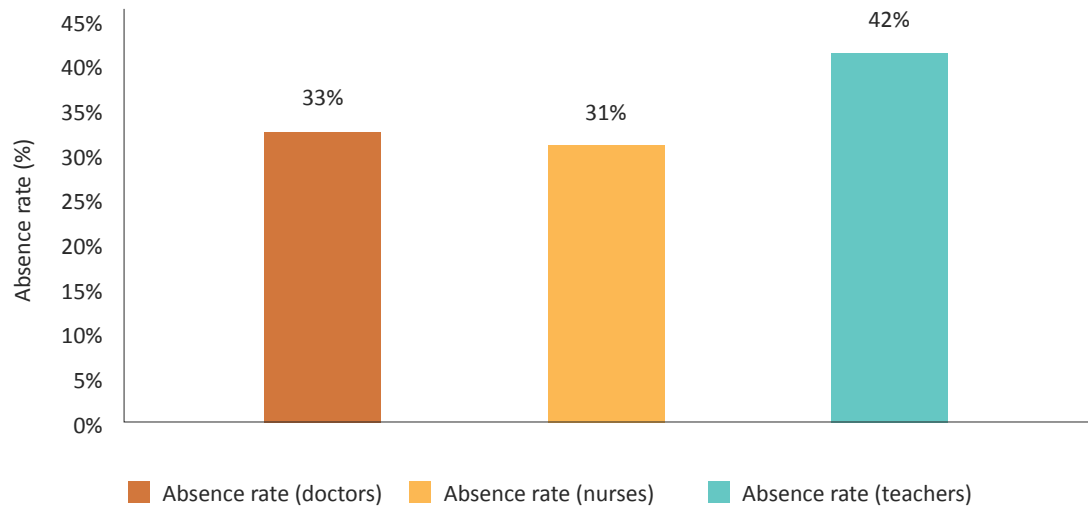


*Source:* SDI via di Giorgio et al 2020 and World Bank Open Data. Average of Kenya, Madagascar, Mozambique, Niger, Nigeria, Senegal, Sierra Leone, Tanzania, Togo, Uganda. 2010-2016.

**While budgetary decisions can be critical for policy implementation, decisions on resource use often promote inefficiency.** Governments have a propensity to fund new politically attractive investments, rather than maintain existing ones. Some governments increase public sector salaries instead of making operational funding available for service delivery. Politicians often display little appetite to stop or reduce one program when introducing or expanding another. Little attention is paid to the equity of allocation of resources across regions and marginalized groups, while more attention goes to well-organized interest groups. As a result, spending tends to increase incrementally and relentlessly, and inefficiencies and inequities become entrenched. Politicians and the public may also prefer less cost-effective, more visible investments instead of more productive investments: new school buildings instead of introducing more effective learning methods (Opalo, 2022), clinics versus hospitals, and direct provision versus regulation. As an example, low-income countries tend to use pricey shortcuts to achieve results by creating jobs directly, instead of helping markets work through better skills, information exchange, enabling markets, or temporary support.[63] In aggregate, revenue constraints, expenditure pressures, and macro-fiscal indiscipline, can contribute to increasing debt levels and interest payments, which has started increasing the overhead costs of government again in recent years, exacerbated by crisis (Figure 38).

**Figure 38: Interest payments as a share of spending, are rising again.**
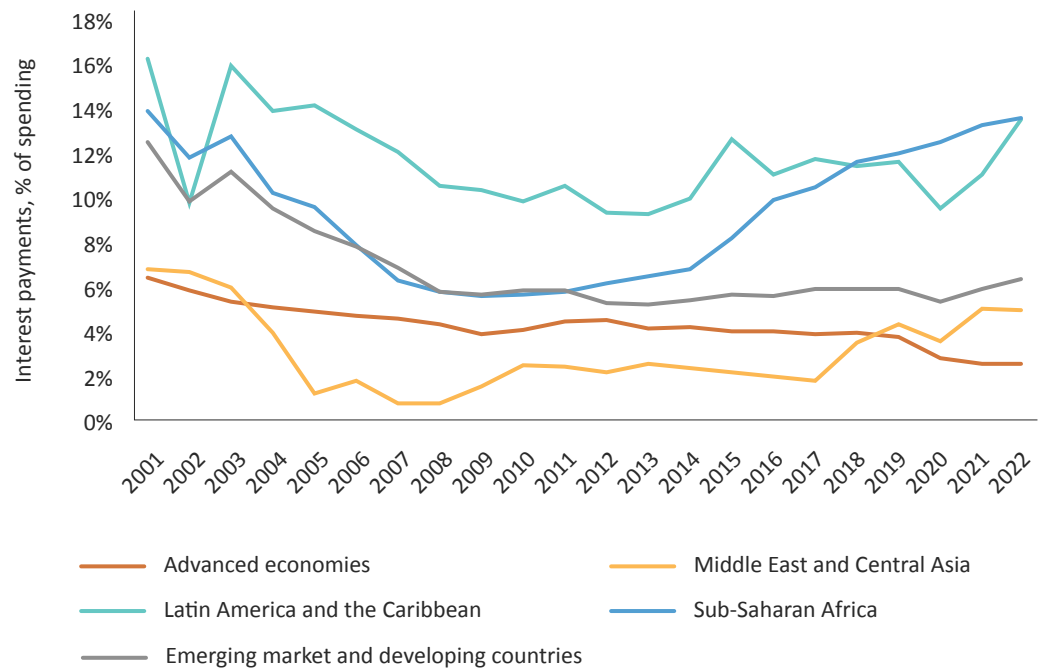


*Source:* IMF WEO.

**Governments can undermine private sector productivity in many ways.** High levels of government spending and borrowing can crowd out private investment by increasing interest rates. Government fiscal policy and regulation may increase the cost of doing business, resulting in inefficient deployment and use of private sector assets. For example, bureaucratic bankruptcy procedures may tie up assets. While most countries have embarked on e-government reforms, there remain significant problems of process duplication and bureaucratic hurdles (Othman and Razali, 2018). Integration of e-government systems across agencies helps avoid risks of redundancy, but the lack of resources, system volatility, problems of capacity, and integrating the needs of future policy development make the implementation of e-government systems a formidable challenge.

**Lack of coordination has made gains in government productivity difficult to achieve, despite the potential value to government productivity.** Working horizontally across agencies and government levels is resource and time-consuming, but critical to addressing solving efficiency challenges. (So is paying attention to the topography of different sectors (McLoughlin, 2012)). Productivity shortcomings caused by agencies working in silos and a lack of coordination have been made clear by the COVID-19 crisis. Many governments failed to prepare for such a crisis and then were required to increase coordination between different parts of the civil service.

**Yet there are many examples where governments have made progress in improving efficiency and driving down costs.** Several good management practices exist, where greater bureaucratic autonomy is positively associated with higher project completion rates (Rasul and Rogger, 2016). There are examples of good procurement practices even in inefficient systems (Bandiera, Prat, and Valleti, 2009; Best, Hjort, and Szakonyi, 2017)[64], and in the use of technology (Box 10). After the global financial crisis, the UK halved administrative spending as a share of recurrent annual budgets in central government over a five-year period. It also vacated over three-quarters of its central London locations and reduced staff numbers by double digit percentages in most non-protected areas.

This included a reduction of social security administrative staff by 18 percent, while maintaining similar levels of services (U.K. Parliament, 2015). Progress doesn't require reform, it can involve enforcement of existing laws and regulations. For example, jailing corrupt state-owned enterprise management and employees (Bajpai and Myers (eds.), 2020) and carrying out more audits (Zamboni and Litschig, 2018) in Brazil, may improve productivity and delivery of goods and services within the existing laws of the country. But this requires authorities to take an interest and invest significant political capital in such reforms and confront elites. If less political capital is available, working to change beliefs around what civil servants believe their jobs to be, has also demonstrated success in some settings (Azulai et al., 2020).

**Governments' role in influencing private sector productivity is often messy.** While many countries have embarked on simplifying regulations and procedures for businesses, this may have limited impact in places with high informal constraints on doing business (Andrews, Pritchett, and Woolcock, 2017). A recent and influential examination of China's growth story emphasized the role of official patronage to speedily reallocate land towards productive uses (Box 5; Ang, 2020). In areas where formal reform is intractable, informal deals, however ugly, sometimes facilitate the lessening of constraints that suffocate productivity.

**Most recently, COVID-19 forced governments to quickly reprioritize inputs to provide new services, to cooperate and overcome entrenched positions, demonstrating that some progress is possible.** Responses to COVID-19 have also demonstrated the potential for new, efficient ways of working, such as remote work for some desk-based government jobs. The crisis spurred many governments to be more data-driven and agile, and to develop a real commitment toward specific goals. This has made once-rigid reporting lines and hierarchies obsolete, helped increase cooperation across levels of government and departments, and led to greater communication with the public.

> **"Country context is crucial. The critical steps to improve productivity are bespoke and cannot simply be transplanted from country to country."**
>
> – Francis Maude

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**Box 10: New Technologies Enhance Government Productivity**

New technologies have allowed governments to accomplish great productivity gains in recent years and provided more effective services to citizens. But it doesn't always go according to plan—and the underlying reforms matter.

**Cambodia:** Cambodia's Financial Management Information System (FMIS) required a serious overhaul and modernization, and the World Bank, in collaboration with donors, supported the acquisition of a commercial off-the-shelf package and centralized web-based application for the national treasury, central offices, and provincial treasuries. New technological solutions needed to be embedded in adequate business processes and it took several years to achieve results in this area. In 2020, salary payment processes at the Ministry of Economy and Finance were streamlined from 46 steps to 36. Utility payments processing saw substantial improvement in timeliness of processing after the streamlined processes were introduced. And the government continues to improve and fine-tune the FMIS system to further improve its productivity (World Bank, 2021).

**Georgia:** Georgia's public administration has already introduced various digital public administration systems such as e-PFM systems, e-procurement systems and an online tax and administration system. To sustain the adaptation and maintain a high level of support, the country needed to focus on creating an enabling environment for new technologies. To

this end, the country developed a comprehensive legal framework composed of laws on Personal Data protection, Electronic Document and Digital signature, and e-procurement legislation. Moreover, the national open data portal, data.gov.ge, was developed to increase transparency, civic engagement, and promote new citizens initiatives and startups embedding citizen engagement in the process of technological transformation. The case of Georgia demonstrates that not only can Governments of the Future increase their productivity and service delivery by introducing new technologies, but they can also embed them in the right framework to create an enabling environment that facilitates acceptance and uptake of technologies (World Bank, 2021).

**Rwanda:** Irembo, a private company co-owned by the Government of Rwanda, is a government portal provider. It has introduced multimodal access to 98 public services since 2014 (Bedoui, 2020). Many of these services run on Unstructured Supplementary Service Data (USSD), which can be accessed without a smartphone. Digitalization supplanted some offline transactions, but by no means all, and developed key national capabilities that catalyzed further service extension during COVID. Critically for Rwanda's labor market and continued capability to implement, the company has managed to transition towards hiring domestic talent.

## HOW GOVERNMENT BECOMES MORE PRODUCTIVE

### GOVERNMENT OF THE PAST

... continues to allow inefficiency, waste, and corruption; it maintains barriers to the efficiencies of the private sector; combined, this paralyzes the government's potential to deliver against their objectives; it gives in to incentives to not change or question how government does things.
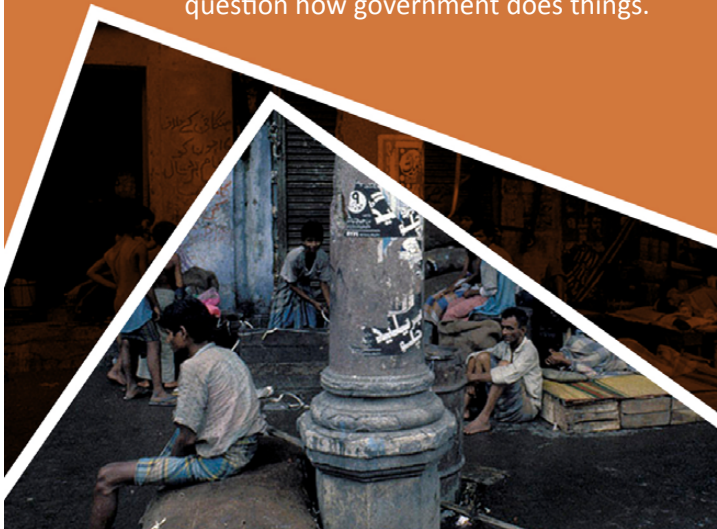


### GOVERNMENT OF THE FUTURE

... identifies and understands why inefficiency exists and drives public and private sector productivity whether in regulation, the workforce, in procurement or in the allocation of public finances by confronting the cause of inefficiency, being adaptive, and exploiting new technology.

## THE GOVERNMENT OF THE FUTURE

**In the future, governments will need to achieve more with less, and tackle inefficiency and waste.** Governments will need to identify areas where there are inefficiencies and poor value for money and address them. This will require a better understanding of what causes inefficiencies within bureaucracies and allow for better responses that are focused on the technical, political, and institutional reasons that underpin them. Governments will need to understand the stakeholders involved, their motivation, power, and the resources that they influence. By doing so, they can drive public and private sector productivity by promulgating effective regulations, motivating and appropriately deploying a skilled workforce, establishing effective procurement capacity, and improving the allocation and use of public finances.

Achieving gains in government productivity requires a multipronged approach:

- **Governments need to focus on value for money** when they allocate and deploy scarce resources—on the economy, efficiency, and effectiveness of resource use. Thus, it is necessary to be more productive in existing programs, cut programs that aren't delivering value, while expanding service provision and regulation equitably and transparently to reach agreed destinations. Efficiency in procurement, effective public investment, and management of assets, prioritizing the critical inputs for delivery, and adequately resourcing management and oversight are all potential options to work with.

- **Greater cooperation and coordination** are means by which governments can move toward increased productivity, by jointly deploying resources toward a shared destination. Future governments will need to break down institutional barriers. Cooperation may be vertical between national and subnational levels of government as a mechanism to achieve national objectives, or they may be horizontal, between different ministries within national governments. Not everything has to be centralized or done at the top.

- **Public servants are at the heart of government,** and they are the core determinants of productivity (for example, Azulai et al., 2020, Best, Hjort, and Szakonyi, 2017, Bandiera et al 2012). The government workforce makes decisions, oversees, and delivers services and regulations. The Government of the Future will develop a positive workforce culture that focuses on the delivery of quality services to citizens. It also ensures that it has both the specialist skills to drive excellence, core competences to deliver quality services, and the leadership and managerial skills to motivate or inculcate effective performance.

- **The role of technology** should be emphasized in increasing productivity; not as a panacea but as an enabler, and without replacing the human touch where required. The digital space allows governments to achieve increased productivity and improve their understanding of the society they serve. In some areas, such as state security or court systems, high standards of privacy will need to be considered for an inclusive and fair system, requiring governments to voluntarily forgo some productivity gains in favor of such considerations.

- **The deliberate creation of a culture that encourages accountability for performance,** should be the aim of future governments. This discourages waste and reduces the space for corruption, within a framework that enables public sector managers and front-line staff to make their own decisions in deploying available resources.

- **Measuring what they deliver, relative to the resources they deploy,** can help governments identify inefficiencies, and support sectors and institutions to improve efficiency. This can be done at different levels and in different sectors, using qualitative and quantitative methods. The view of the citizen should be front and center of these efforts—as what is produced needs to meet citizens, communities, and firms' needs.

## CONUNDRUMS AND CHOICES — GOVERNMENT PRODUCTIVITY

Governments of the Future may need to evaluate the following choices and conundrums when considering how to increase productivity:

- **Mission critical and mission creep:** Government agencies individually and collectively are prone to mission creep—taking on roles and functions that are not critical to the achievement of objectives and the needs of their customers and welfare of citizens. Sometimes, experimental increases in scope are necessary as part of a learning and discovery process—this should be explicit. In times of scarce resources, or inputs (both financial and human), governments should focus on those inputs that are critical to delivery and the achievement of objectives and move away from areas that are not mission critical.

- **Individual and collective action:** Working across government (horizontally) rather than only in silos (vertically) will increase productivity; better coordination means fewer costs and greater results for the same inputs.

- **Measuring and motivating:** A motivated workforce and institutions are critical to productivity and value for money to make the most from available resources. Measuring results and productivity can help a motivated institution improve productivity, if institutions have the authority to improve performance. This can create positive incentives. However, performance measurement, if poorly conceived and if used to control rather than enable employees, can also create perverse incentives, and undermine motivation and performance.

- **Specialists and generalists:** The government workforce covers many technical areas that require skilled labor. In the future governments need to ensure that the workforce has the right skillsets. This involves balancing specialist skills for specialist functions with the need for administrative and managerial skills to run capable, high-performing institutions.

- **Incentives and control:** Governments often want to control inputs and costs from the top down. Meanwhile initiatives to try and improve performance are often layered upon existing input controls. This results in subordinates focusing on compliance, which can undermine incentives for service delivery staff to perform and use resources efficiently in delivery.

- **Enforce existing rules and changing mindsets:** Productivity improvements can be realized by implementing some already existing rules and regulations as part of a revised deal among elites. This might change mindsets—but explicit efforts to change mindsets towards performance can also help.

- **Automating problems and technology solutions:** The benefits of technology are undeniable, but these tools ought to be used in a way that enables productivity gains in the hands of a capable workforce. The Government of the Future will need to view technology as a means to an end, and not an end in itself.

# HOW CAN GOVERNMENTS BUILD TRUST?

**BACK TO THE FUTURE**

**Trust is the fabric that holds society together, enables the social contract and allows governments to operate, and when governments perform poorly, trust declines.** It guides rules and laws that are generally accepted and understood by most of society. These rules comprise both formal laws and informal rules and are shaped by events, public perception, and social norms. Citizens evaluate their governments based on two different sets of criteria (Hakhverdian and Mayne, 2012): firstly, the criteria related to "input" or procedural performance such as the implementation of laws and regulations that guide the functioning of institutions. Secondly, the criteria related to "output" or policy performance and the provision of services responsive to citizens' preferences and needs. Some regions and country income groups emphasize output-based trust more than others (Brixi, Lust, and Woolcock 2015); middle income countries where prosperity has increased on a sustained and rapid basis currently enjoy high levels of trust in government; there are also associations between interpersonal trust and measures of societal equality. As shown in Box 11 below, government integrity is the most important factor for trust in the OECD. Whenever state institutions perform poorly on these two main fronts, citizens' trust in institutions is dampened (Brixi, Lust, and Woolcock, 2015).

**When citizens mistrust government, they turn to alternative institutions, networks, and individuals for services, connection and a sense of community, which can bring with it new opportunities and challenges.** A variety of factors, including historical and cultural differences, determine which alternatives people choose to trust when their belief in government is shaken or weakened. The circumstances for the free expression of trust and dissent, including those expressed in surveys, can shift over time (Sunstein in Wiblin and Harris, 2019). There are several competing networks of trust (or societies) living within the same country, which could increase the scope for conflict, nepotism, and corruption (Muthukrishna, 2021). Crises have a particularly strong potential to upend previously held beliefs, reshape perceptions, and lower trust in public officials and institutions. Not only do governments need to prepare for future crises, but they also need to use credible solutions that are widely accepted by the public if they wish to gain and or retain trust.

> **"Governments need to have good intentions and be clear about their ability to solve the problems people face if they are to build legitimacy and trust."**
>
> – Aidan Eyakuze

> **"If governments fail to build trust, people will fall back to trusting their natural groups: families, friends, ethnic and religious groups. This would have several competing societies living in the same country, increasing the likelihood of conflict, nepotism, and corruption."**
>
> – Michael Muthukrishna

**What happens when people stop trusting their leaders and institutions?** First, they become suspicious and the behavioral responses to government policy may not be conducive. For example, during COVID-19, in countries with less trust in the state, there was a less positive behavioral response to social distancing and vaccine programs introduced to limit the spread of the virus. Second, the public starts finding alternative routes to effect change by legally binding the government to a course of action. Recently, Shell was taken to court by Dutch citizens and has now been ordered to cut its CO2 emissions by 45 percent to 2019 levels. This is the first time a company has been legally obliged to align its policies with the Paris climate accord.[65] Third, people protest. More people are hitting the streets than ever before. The number of mass protests globally has increased by 11.5 percent per year, on average, since 2009 (Haig, Schmidt, and Brannen, 2020).

**Declining levels of public trust lead to greater state fragility and polarization of society.** Fragility often manifests as a reduction in voluntary compliance with rules and regulations (Business Today India, 2021), with negative effects on state functioning and social cohesion; and lower trust correlates with reduced life satisfaction.[66] Governments can either choose to ignore the underlying issues and use brute force to pursue their policies, which is likely to lead to a vicious cycle of further confrontation and instability, or they can pursue a more accommodative approach to regain public trust.

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### Box 11: Government Integrity and Reliability as a Driver for Trust

A survey among OECD member countries conducted in 2018 showed that by far the most important factor driving public trust was government integrity, linked to corruption. The integrity and underlying motivation of governments has been particularly tested in recent crises, explaining the overall erosion in public trust in many developed countries.

In the survey results, this factor was followed by 'security and crime prevention' and 'government reliability'. Even though OECD countries demonstrate relatively better public services than countries not included in this survey, it highlights that **Integrity, Security and Service provision** are among the three most important factors contributing to public trust.
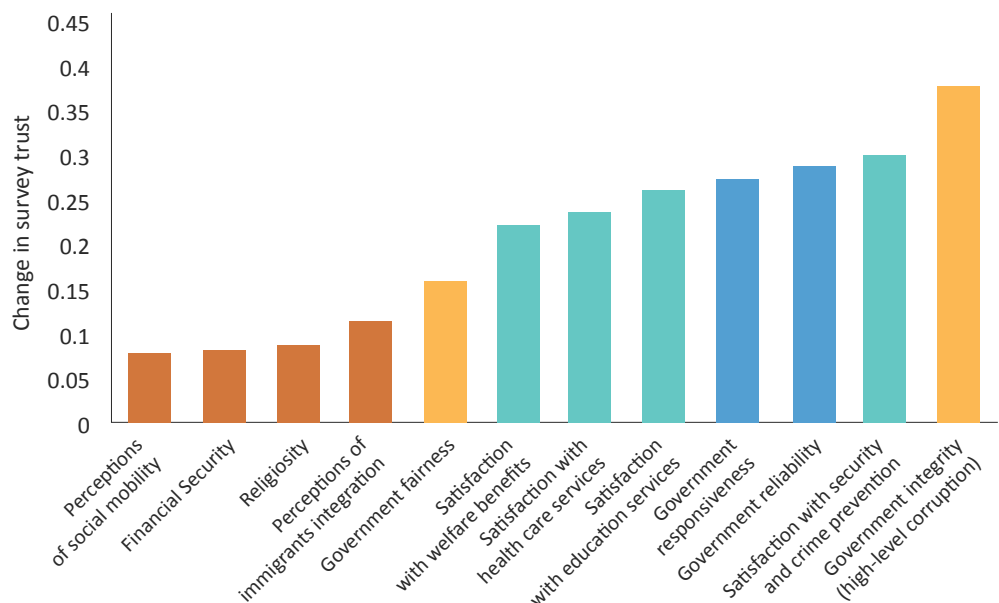


*Source:* OECD Statistics Working Papers, No. 2018/02.

Government integrity is, among other factors, determined by how governments hold wrong-doers and poor performers to account. Accountability is difficult to measure and oftentimes politically difficult to address due to vested interests and underlying economic power, putting some actors 'above the law'. Citizen engagement initiatives, however, are dependent on strong measures of accountability to be successful. Otherwise, the cycle between government performance and citizen engagement illustrated here, breaks down.

Research has shown that citizens become disinterested in political life if they do not feel that governments can be held to account. This further creates more distrust leading to a vicious cycle of falling government integrity and reduced government performance (Grandvoinnet, Aslam, and Raha, 2015; World Bank, 2017).

Enhanced government peformance

Strong citizen voice and engagement (formal and informal)

Accountability of officials

Public goods and service delivery and integrity
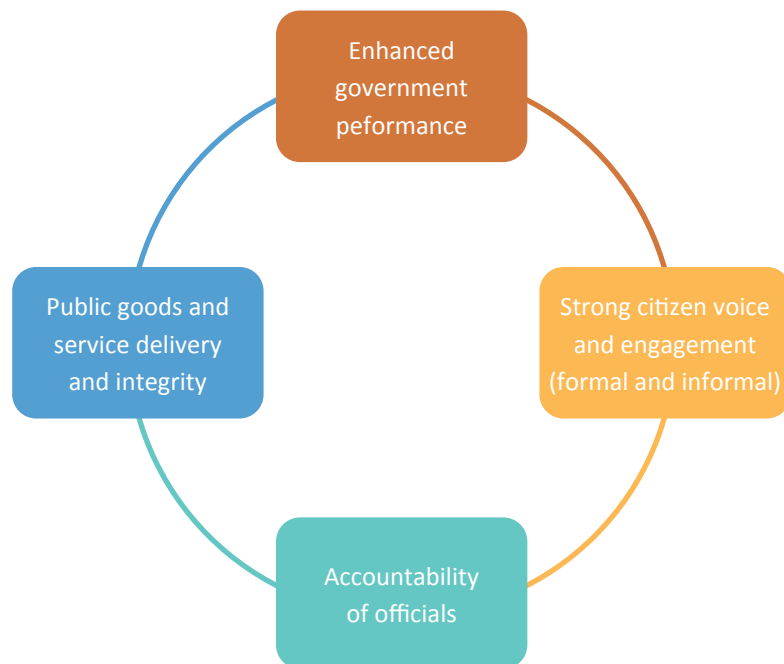
**Trust between governments, within governments, between government agencies, and levels of government is often strained.** Yet, trust within and across government agencies is critical for effective delivery and overcoming vested interests. Lower-level governments may feel that the central government is encroaching on their mandates or taking an undue share of resources; sector ministries may not feel that ministries of finance understand their needs; while ministries of finance may feel spending agencies misuse resources. Likewise, recent geopolitical developments in Eastern Europe underscore the importance of trust between governments to avoid conflicts and violence. It also demonstrates how international dispute settlement mechanisms and organizations that serve as arbiters often fall short in avoiding conflicts. Trust between states is fundamental for the maintenance of international trade, which underpins the current global governance structure, but which is becoming increasingly fractured. Governments of the Future will have to continue to work on finding a governance mechanism that ensures safety, stability and, ultimately, prosperity for the world at large.

> "We can certainly be critical of some outcomes of globalization, but embracing nationalistic and isolationist approaches only makes us more vulnerable to global challenges, like climate change."
>
> – Laura Chinchilla

**Citizens are more likely to trust governments if they perceive them to be equitable and fair in how they treat individuals and communities.** Within countries, perceptions about unfair distribution of positions of leadership between different religious or ethnic groups in government or inequitable distribution of resources between subnational governments can generate mistrust within government and drive rising inequity in access to services.[67] These perceptions can be used by political leaders and other elites to sow division and mistrust, which can ultimately contribute to fragility and conflict. COVID-19 exposed some of these tensions and mistrust within governments as central governments tried to respond to the crisis, but often forced the different arms and levels of government to work together to address issues and build trust between them. This was true both between heads of government and implementing agencies or central and local governments.

**Transparency and participation are often promoted as mechanisms for building trust, but whilst they are necessary, they are not sufficient to do so.** Transparency is only of value if people understand and trust the information they are being provided. Technology has enabled governments to make far more information available to their citizens through the internet and social media, although not all governments have embraced this, yet governments compete with a huge number of information providers. *How* information is communicated is critical to building trust. If citizens do not trust governments, they will not use or act on the information provided to them. This means that governments do not just have to actively be trusted themselves, but also work with those stakeholders that maintain high levels of public trust, to be heard.[68] During COVID-19, the Pakistani government leveraged the authority of religious figures, while India used a prominent economist, to increase uptake of vaccines and stay-at-home measures (Vyborny, 2021; Banerjee et al., 2020).

> "It's the messenger, not the message; participation, not the product. People simply do not trust certain institutions, or they do not trust a product, unless they have participated in some way in its creation."
>
> – Francis Fukuyama

**Greater citizen participation is also only of value if those participating feel listened to, if governments actually respond to their demands and are accountable for the decisions they make.** Many countries have tried initiatives to increase citizen participation in government decision making, for example, with participatory budgeting. However, their impact is mixed. While there are examples where participatory budgeting and policymaking has yielded success, there are also many where results have been quite disappointing.[69] Why? Because those in authority—whether politicians or bureaucrats—do not listen or are not willing to cede control over power or resources and ultimately do not respond positively to the participation of citizens. Participation becomes a ritual, with limited influence, and little incentive for citizens to engage in. This "long route of accountability" between citizens and policy makers is typically harder to get to work, especially the higher the level of government involved. Responsiveness to citizen participation that is closer to the point of delivery, such as through citizen involvement in schools or healthcare—"the short route of accountability" —may be easier to achieve, which explains why trust at the frontline is often higher (World Bank 2004; Figure 24, Figure 26). Both leaders and institutions need to show willingness to be held to account, explain, and take responsibility for failure as well as success. Clarity of responsibility for delivery of services and regulation helps.

> "Technology and social media bring challenges and opportunities to build trust."
>
> – Jaimie Boyd

**However, only being responsive is, likewise, insufficient. Consistency is an important element of trust—governments need to deliver what citizens expect them to.** Citizens trust their government if it behaves as expected—whether ensuring the security of a person or property, or in the delivery of services. Responsiveness that is ad hoc and caters primarily to specific interests, and involves making exceptions to the rules, has the potential to disrupt the consistency of government delivery and will erode trust. Where there is a gap between expectations and government capability to deliver, as highlighted earlier (part 2.2) this is likely to undermine trust. It is important that governments manage expectations and balance quick wins with longer-term investments, which help build trust and provide returns beyond the next policy cycle. Ultimately, it is the ability of governments to deliver on their promises and objectives. Delivery also needs to happen in a manner that is consistent with the application of rules and the delivery of quality services is what will ultimately determine the legitimacy and trust with citizens. In turn, this will contribute to a stronger social contract.

## HOW GOVERNMENT BUILDS TRUST



## GOVERNMENT
## OF THE PAST

... is mistrusted as a result of its unrealistic promises; its failure to involve citizens in decision-making captured by elites; its failure to communicate in the era of social media; and ultimately, its lack of consistency in regulation and delivery of services.

## GOVERNMENT
## OF THE FUTURE

... gains and retains trust by involving, responding to end being accountable to citizens in decisions and delivery; by communicating well; by taking advantage of opportunities that technology presents; and by achieving what they commit to and being consistent in regulation and delivery.

### THE GOVERNMENT OF THE FUTURE

**Future governments will have to understand that the trust of citizens and the trust within the government are critical for its ability to achieve its set objectives.** To this end, it will need to continuously assess and understand where it is trusted and where it is not in order to gauge the impact this has had in the past and how it may impact on the future delivery of its objectives. Importantly, it understands the sources of mistrust and who citizens trust and why.

With this knowledge, governments can **identify and take more deliberate actions to build trust** where there is a deficit and capitalize on trust where it exists. This requires:

- **Governments being better communicators, not just being transparent but being deliberate about what information is being made available, what it means and why it is important.** It involves relaying messages through messengers whom citizens trust, within government or, where necessary outside.

- **Being responsive to the inclusion of citizens and different arms of government in decision-making and being accountable for delivery.** Responsiveness and participation helps build ownership of decisions made. This requires the government, both policy-makers and providers at different levels and in different institutions, to be willing to listen and to give up some of their influence over resources and the process of service delivery. In doing so, governments need to be seen as listening and responsive to citizens and other clients. Both leaders and institutions also need to show willingness to be held to account, explain, and take responsibility for failure as well as success.

- **Taking advantage of technology to build trust.** Technology can help governments be more transparent and communicate better. Technology can allow more and better public participation in decision-making processes and will bring transparency and accountability to public spending where it had previously been lacking. Technology can also help governments identify who, and in what citizens trust, and subsequently address the needs of stakeholders and interest groups in a fair and equitable manner.

- **Crucially, governments ought to understand that to earn trust they need to be consistent and fair.** Governments need to strive for consistency and equity in the application of regulation and delivery of services and be seen to provide value for money. They need to be clearly responsible for policy, delivery of services, and regulation. They need to be humble, be clear about what they know and do not know and take responsibility for failures, as well as successes. Making progress toward their destination will help them build trust.

**CONUNDRUMS AND CHOICES — BUILDING TRUST**

Future governments may be faced with the following choices and conundrums when addressing trust related issues:

- **Messenger and the message:** An important message is of no use if the recipient of that message does not trust the messenger. In times where citizens increasingly use information sources outside the public sector and trust levels are falling, choosing the right messenger will be key to re-build trust. Governments will need to consider who is most trusted to deliver a message. This will require future governments to communicate through trusted third parties to convey their message and build trust.

- **Transparency and communication:** Governments control significant information and technology. This provides huge opportunities for more transparency. Governments need to consider that the same information can be interpreted in many ways by different groups with different interests. This can be amplified through social media. The sheer volume of data and information available to citizens can drown out important messages. Governments need to consider not just what information to make available, but also to whom and how they communicate it, while maintaining a view on building better understanding, accountability, and trust.

- **Participation, responsiveness and consistency:** Governments are likely to benefit from providing space for citizens and other stakeholders to be involved in decision making and be clear about the extent of influence that citizens may have on these decisions. Governments' responsiveness to citizen needs and demands is a positive trait to be pursued, but the consistent service delivery and the application of rules is more critical for building trust and legitimacy.

- **Short-term popularity and long-term trust:** Political leaders often rally their supporters behind a few simple messages of appeal without fully discussing the true cost of their policies and the challenges that its implementation would entail. When they promise achievable policies and programs, the incentive is for these to be achievable within an electoral cycle. This means that there is often under-investment in programs that involve collective action and where outcomes take longer, are less certain, and are harder to capitalize on politically. However, they can help set the basis for lasting trust in governments.

- **Blaming or taking responsibility:** In politics, accepting failure is often accompanied by a loss of face and potential risk of ending careers of politicians. While failures are never nice, taking responsibility and being open about mistakes can be conducive to building trust in the medium- to long-term rather than seeking a scapegoat, which can lead to further political instability and polarization of society along political lines. Governments of the Future will be under greater scrutiny due to social media and technology and will likely face more difficulties when trying to blame others for political failures.

- **Social media threat and opportunity:** Social media provides many opportunities to strengthen trust. It provides the opportunity for anyone to quickly verify and corroborate public officials and hold them to account online. Anyone can reach a large audience with limited means. This offers the opportunity for greater accountability among decision makers. However, it also poses the risk that information will be taken out of context, or deliberately withheld to mislead the public for political ends. The presence of conflicting information on social media can cause polarization as consumers choose which information to believe. Striking a balance between censorship and protecting the public from non-factual social media posts will continue to pose a challenge for future governments.

# 2.3 AN URGENT JOURNEY TO DELIVER POSITIVE CHANGE

**While there is an urgent need for governments to deliver positive change, the process by which governments achieve such change is messy, unpredictable and complicated in practice.** The four questions asked for renewing the social contract are relatively structured. Answering them involves both addressing large, existential policy questions for the planet, such as tackling climate change and conflict, while simultaneously addressing basic intransigent problems of delivery and coordination, such as motivating teachers to turn up to work and impart knowledge. However, there is little value trying to answer them on paper. Change requires an opportunity and a process.

**Achieving change has become more daunting since the start of the 2020s.** The 2020s, like the 2010s, started with a resource crunch for governments and a drag on global economic growth. The difference this time is that poorer countries have been slower to recover (IMF, 2021) and that graver long-term crises exist alongside COVID-19. They include an aging population in many parts, security instability, and rising incidences of extreme weather events caused by climate change. Now, governments face a bigger debt overhang that requires an increasing share of funds to finance. Most importantly, in an age of agglomeration and automation, kick starting growth and finding opportunities for rapid national economic transformation will be challenging.[70]

> **"Three main gaps have emerged whose effects are harmful not only to the dignity of people but also to countries' aspirations of speedy recoveries and higher levels of human development—the gender gap, the income gap, and the digital gap."**
>
> – Laura Chinchilla

**While change will be challenging, it is clearly possible to deliver significant and meaningful change from very different and difficult starting points.** Togo was at the bottom of the list in a 2009 survey of the ability of 124 national governments to *"decide on and really implement"* non-political reforms (Institutional Profiles Database, 2009). But the country went on to achieve sustained economic growth and performance improvements in many respects after 2009 and enacted an outstanding social protection response during the COVID-19 crisis (Aiken et al., 2022). Tanzania, which became a MIC in 2019 following a decade of high economic growth and expanded government service provision in several sectors, was in the second-from-bottom rung of the survey. Sectoral successes in airlines in Ethiopia and cocoa in Ghana had their roots in modest but consistent and sustained changes in public policy (Balchin, Booth, and te Velde, 2019). South Korea and China took a less modest route, drawing from high levels of central authority, policy experimentation, and a sustained focus on 'firms first' (Box 5). Gradual but sustained improvements to educational quality have been ongoing since at least the 1990s in Latin America (Grindle 2004), often with the cooperation of multiple layers of government (Brazil), regional cooperation in running a series of learning assessments and arenas to

# TAKING AN **URGENT JOURNEY**

## TAKE STEPS, LOOK AND LEARN, AND ADJUST THE ROUTE

Individuals and institutions in government break out from their institutional silos, and take deliberate coordinated steps toward their destinations jointly with the key stakeholders involved; they take calculated risks, learn from progress and missteps along the way, and be flexible and adjusting their route as they progress.

## SET THE DESTINATION, PLOT PATHWAYS, AND JOINTLY AGREE THE ROUTE

Instead of trying to address everything at once, governments prioritize where to act, by distinguishing their citizens' needs from wants and distinguishing critical government failures from weaknesses, and then understanding the source of these needs and causes of these failures.

Governments stop over-promising and under-delivering and instead are selective, yet ambitious; they are realistic in what they aim to achieve and responsive to the growing demands they face, making deliberate choices about what they can and cannot achieve.

Governments resist the replication of "best practice" from wealthy countries and develop local solutions to local problems that are tailored to local context and capability and take into account the power, interests and incentives of those involved.

## Plot Pathways and Take Steps towards a Shared Destination

## COALITIONS AND TEAMS

Governments avoid making decisions unilaterally, and instead proactively consult and build coalitions in support of progress. Securing the agreement of critical interests, including communities and elites will enable progress by using and aligning informal processes for decision- making with formal ones.

## INNOVATION AND TECHNOLOGY

Technology is no panacea, and governments avoid automating problems and harness its potential to provide new ways to solve or leapfrog old challenges. Innovation does not mean using the latest technology. Using available technology and capacity innovatively can reduce costs, improve services or underpin new, disruptive interventions. It provides new ways to deliver learning inside and outside schools. It can enable more effective citizen participation and communication with citizens.

## CRISIS

With crisis and changing circumstances comes opportunities for government to change for good and tackle these and the intransigent failures of governments that preceded them.

## Seek, create and take advantage of opportunities for change

share ideas, and clear examples of successful, repeated policy experimentation and improvisation, including Brazil (World Bank 2004; Lautharte, de Oliveira, Loureiro 2021).

**There is literature on what makes policy work; how to build state capacity; and the types of processes and ingredients that contribute towards the achievement of desired development outcomes suggest a problem driven approach.** Although authors such as Andrews, 2021; Ang, 2016; Lindblom, 1959; Fritz and Levy, 2014; Pritchett, Andrews, and Woolcock, 2017; and World Bank, 2016, 2017 describe policy processes in different ways, much of this literature promotes a problem-based approach to reform, emphasizing learning and adaptation, collaboration, and the need for local solutions to local problems, aligned to local capability. A recent example of one way to describe such a process is the Harvard Kennedy Schools "Smart Policy Design and Implementation" provided below (Box 12).

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**Box 12: Smart Policy Design and Implementation**

**IDENTIFY** pressing policy problems

**DIAGNOSE** underlying causes

**DESIGN** high-potential and feasible policy solutions

**IMPLEMENT** and monitor proposed solutions on the ground

**TEST** high-potential solutions with rigorous evaluation

**REFINE** those solutions based on continuous monitoring and feedback
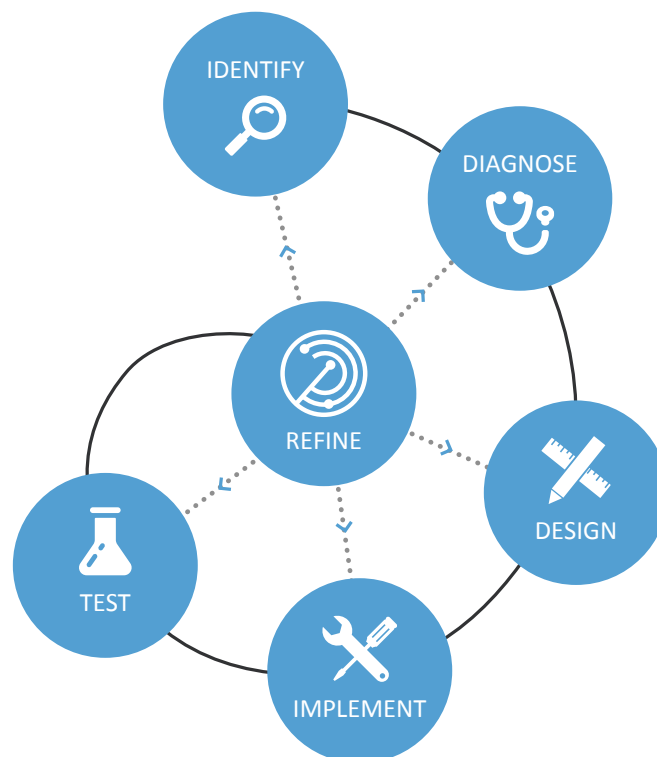


*Source:* Harvard Kennedy School (2022).

**The purpose here is to provide a guide for establishing and engaging in such flexible, iterative change processes to set and achieve policy objectives and to solve persistent practical problems.** The aim is to provide guidance to governments on how to navigate the complexity of governing by focusing on a limited number of challenges and issues at any one time, identifying trade-offs and making deliberate choices, and then taking action and making adjustments as needed in a complex and uncertain world. The journey of positive change is more likely to be successful when teams, coalitions, and leaders from inside and outside government work together.

**Change cannot be achieved through one comprehensive policy process, it requires multiple processes happening at different levels, in different sectors simultaneously.** Combined, an increasing number of change processes can, together create significant momentum and achieve significant change. This section is intended to be relevant for potential and actual reformers working in different spaces and capacities within or outside government, who might have the opportunity to initiate change.

**This report, therefore, continues by describing how to embark on an urgent journey of positive change.** Governments embark on this journey by:

* **Seeking and creating catalysts and creating opportunities,** which involves; taking advantage of evolving circumstances and crises to make change; using disruptive innovation and conducive technology as tools to transform itself and solve or leapfrog problems; and building the necessary teams, coalitions, and authorization to drive progress.

* **Plotting pathways,** which involves governments finding out where they are, identifying and prioritizing the key challenges and demands they face, and understanding their causes and sources. It then involves setting a destination that is both achievable and ambitious, plotting the potential pathways towards it, and then jointly deciding on the destination and the route.

* Then, **taking steps** deliberately along the route, implementing actions to move toward the destination, learning along the way. The journey will not go according to plan. When necessary— and it will be necessary—governments will need to be flexible, nimble and adjust the route.

# SEEKING AND CREATING CATALYSTS AND OPPORTUNITIES FOR CHANGE

**BACK TO THE FUTURE**

"We cannot have a situation where it is acceptable for governments to make incremental changes, a kind of re-tinkering in the right direction, like rearranging the deck chairs on the Titanic while humanity sinks. Deep structural and systemic changes are needed to offer solutions that are much more attuned to what citizens need."

— Kumi Naidoo

**Positive change does not happen automatically, the journey must start somewhere.** This section examines how governments have initiated change in the 21st century and sets out how future governments can deliberately and proactively seek and create catalysts and create opportunities for change. It does so by examining three entry points—(a) crises and changing circumstances; (b) innovation and technology; and (c) teams, coalitions, and authority.

**Crises often provide the catalyst for change.** The 21st century has witnessed both man-made crises, food and energy price shocks, and financial instability; and natural crises such as the COVID-19 pandemic, devastating tsunamis, and earthquakes, which have initiated and catalyzed change. Governments have all had to address these crises in different ways. Often, caused by natural disasters or political conflict, crises tend to be limited to national or regional levels. Despite the interconnectedness of today's world economy not all crises reverberate around the globe. But global or regional crises can introduce a new paradigm in society, which requires a rethinking on the part of governments on how to confront and resolve these situations. In the case of natural disasters, governments have improved coordination and disaster-risk preparedness in recent years to respond with aid in a more timely and effective manner. But measures to pool risk in many regions including Small Island Developing States and disease-prone areas remain small scale. In contrast, after the global financial crises, several large safeguard mechanisms and bold policies were introduced to address market volatility and the risk-taking actions of financial institutions. Crises may be local, and catalyze change with results beyond the scope, an initial government scandal, for example with the formation of the Financial Governance Committee in Somalia (Box 13) following corruption allegations. These crises were catalysts: they offered the opportunity to create lasting change where it may not have been possible before.

"Both Africa and South Asia have a young population that is desperate for new opportunities. At the same time, the education sector is not delivering toward the needs of this aspiring generation. Governments need to take the COVID-19 crisis as an opportunity to work together with agnostic actors in this field to enhance education and make it relevant for young generations."

– George Werner

### Box 13: The Subtle Art of Reforming Financial Governance in Somalia

Following the resignation of the Governor of the Central Bank of Somalia in 2013, significant concerns emerged over the terms of a contract the Federal Government of Somalia had signed with a US law firm to assist the recovery of overseas assets. There was widespread recognition that a new approach to strengthening financial governance was needed to restore confidence in Somalia. 'Business as usual' would not suffice.

Somalia's Financial Governance Committee was established in early 2014 by mutual agreement between the Federal Government and international community to provide a high-level forum for dialogue and independent advice on strategic financial governance issues. Although initially conceived of as a short-term mechanism, the Committee has met regularly ever since. It is chaired by the Minister of Finance, with participation from the President's Office, Prime Minister's Office, Central Bank of Somalia and international representatives of the World Bank, African Development Bank, IMF, and European Union (on behalf of bilateral donors).

The Committee's agenda covers: fiscal federalism, natural resource revenue management, domestic revenue mobilization, public procurement and concessions, expenditure management (including the security sector), financial sector development and asset recovery. It also reviews and advises on all government contracts above $5 million in value and all concessions contracts. To date, it has reviewed over 50 government contracts, providing advice on due process and the protection of government's financial interests.

Government reform commitment and the cross-institutional nature of its membership has been central to the Committee's success. The federal government has showed continued willingness to receive advice on sensitive issues and take action even when doing so has required important political capital. The long-term nature of the Committee's engagement is also a factor in its success: in some cases, it has taken years of sustained effort spanning three different Ministers of Finance and two different administrations, to advance reforms and resolve problematic contracts.

The FGC's inter-agency model promotes institutional coordination, reducing information asymmetries, and building consensus between economic decision-makers across government. Moreover, decisions are taken on a collective basis, which makes it more likely that they will be enforced. The FGC has also been able to reflect back issues to development partners on strengthening their own cross-institutional practices in support of financial governance reforms.

Although the Committee is by design both voluntary and advisory, it is clearly understood that the international community expects the Committee to be listened to, giving its advice added weight. International delegates act as impartial international experts who can speak to government counterparts on a peer-to-peer basis, at arms-length from their sponsoring development partners. Federal government members are therefore able to trust in the quality and confidentiality of discussions.

The FGC has achieved significant results, including supporting a shift towards competitive procurement, slashing security sector ration expenditures by half; strengthening accountability in the payroll, including in the security sector; improving fiscal terms of

concession contracts; and addressing strategic topics for the fiscal future of Somalia, such as constitutional arrangements for revenue sharing, legal provisions for borrowing, and natural resource revenue management.

Over time, as the FGC has consolidated its reputation as a trusted advisory mechanism, it has been able to move towards providing ex-ante rather than ex-post advice, demonstrating that change is possible even in the most challenging contexts.

*Source:* Adapted from World Bank, 2019 (https://www.worldbank.org/en/results/2019/11/11/the-subtle-art-of-reforming-financial-governance-in-somalia).

**Governments are also faced with changing circumstances, which create their own opportunities and serve as catalysts for change.** Ageing populations, growing inequality, and changing social norms are affecting societies in ways that demand a government response. While these changes occur more gradually than the above-mentioned crises, they nevertheless have the potential to develop into serious crises if they are ignored or poorly understood. Changing circumstances can also have an aggravating consequence during crises (for instance, the elderly population during the COVID-19 pandemic). The Government of the Future needs to make sure that it understands the changes occurring in its society and how these might affect their response to future crises, then prepare accordingly.

**Shifts in the distribution of power and resources may also provide opportunities for change.** Shifts in the composition of elites and interest groups or changes in their interests are potential catalysts of change. For example, the declining influence of the tobacco lobby relative to civil society enabling tax reforms in the Philippines and Kenya (Sharp, Sweet, and Menocal, 2019). Often, changes in government, or changes in leadership following an election—a new mayor, a new minister—present opportunities to reset the agenda. One interesting example is from Bolivia in the 1990s, where a new president revived a promising reform agenda in the education ministry, which the previous administration had formulated but couldn't pass (Grindle, 2004). The new president shifted the planning function and key staff from the central planning ministry into the ministry of education and quickly enacted the policy. By adding authority to an existing set of ideas, the president was able to assemble a coalition and act more quickly. There are plenty of thornier examples of progress amid more gradual and partway political shifts (Wales et al., 2017). Technical leadership in a government department may change. The adjustments to the power structure often make non-governmental institutions stronger as they can often move more quickly than government, which frequently finds itself reacting to the innovations of non-state actors.

**Innovation and technology is a set of catalysts that has been disrupting societies, businesses, and governments at a seemingly greater rate every year.** The impact of the "Information Age" cannot be overstated. But technology and innovation also present opportunities to mitigate the negative impacts of natural and man-made crises and evolving social trends. Solutions can be developed from improved communications, distribution of knowledge, and the creation and evaluation of large datasets, to name but a few. New technologies can help governments find policy responses to acute problems and crises, even if they pose new challenges that, in turn, may constitute a driver of change. For example, social media has contributed to an acceleration of shared information among the public while also facilitating the spread of disinformation.

> **"There is no way to innovate without disrupting the status quo."**
>
> – George Werner

**Innovation is not limited to new technology, and governments can use existing technologies, approaches, and methods in innovative and disruptive ways to solve problems and achieve results.** At the start of the global COVID-19 pandemic, governments were faced with the challenge of reducing the transmission of the virus. To this end they implemented social distancing measures and lockdowns. Several countries ordered home-office provisions for those people that could work from home (ILO, 2020). Suddenly, large parts of society no longer commuted to work daily, but did their jobs and educated their children from home. This will leave a lasting impact on how some types of work is being executed even beyond the acute period of the pandemic.

Technologies have also been a driver of change inside public administrations, though not always for the better. Governments' success in applying new technologies is often hampered by bureaucratic resistance to automating certain functions or just changing how things are done. The fragmented use of technology can mimic, and eventually exacerbate the siloed nature of public administration. While some public authorities have successfully implemented new technology in their operations and subsequently improved overall productivity, poor understanding of how to best use technology has also led to costly failures. A naïve hope that technology can solve all challenges, when in truth it should be viewed as a means to an end, may lead governments down the wrong policy paths.

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**Box 14: The Roles of Teams, Coalitions, Brokers, and Conveners**

**Coalitions** help support the drive for reform. This may involve stakeholders within and outside of governments, and across different levels of government, across sectors, or across departments within individual institutions. Coalitions can be formed between those who demand change and those whose behavior may need to change to deliver results. Coalitions use their collective power to secure the space for change from those in authority.

**Reform teams** deliver change by working together to solve specific problems and achieve results that cut across institutional silos within government and in partnership with non-state actors.

**Conveners and brokers** can help bring together teams and coalitions and facilitate agreements between their members and maintain the impetus for change.

**Authorizers,** whether they are heads of government, ministers, mayors, or senior bureaucrats: create and maintain the space for change (or prevent it). Authorizers respond to the coalitions and teams that demand change. The authority provided can be implicit or explicit and is required to bring about the change that is desired. Both teams and coalitions require authority to address change and harness the potential that this change brings for society.

*Source:* Adapted from Williamson, 2016.
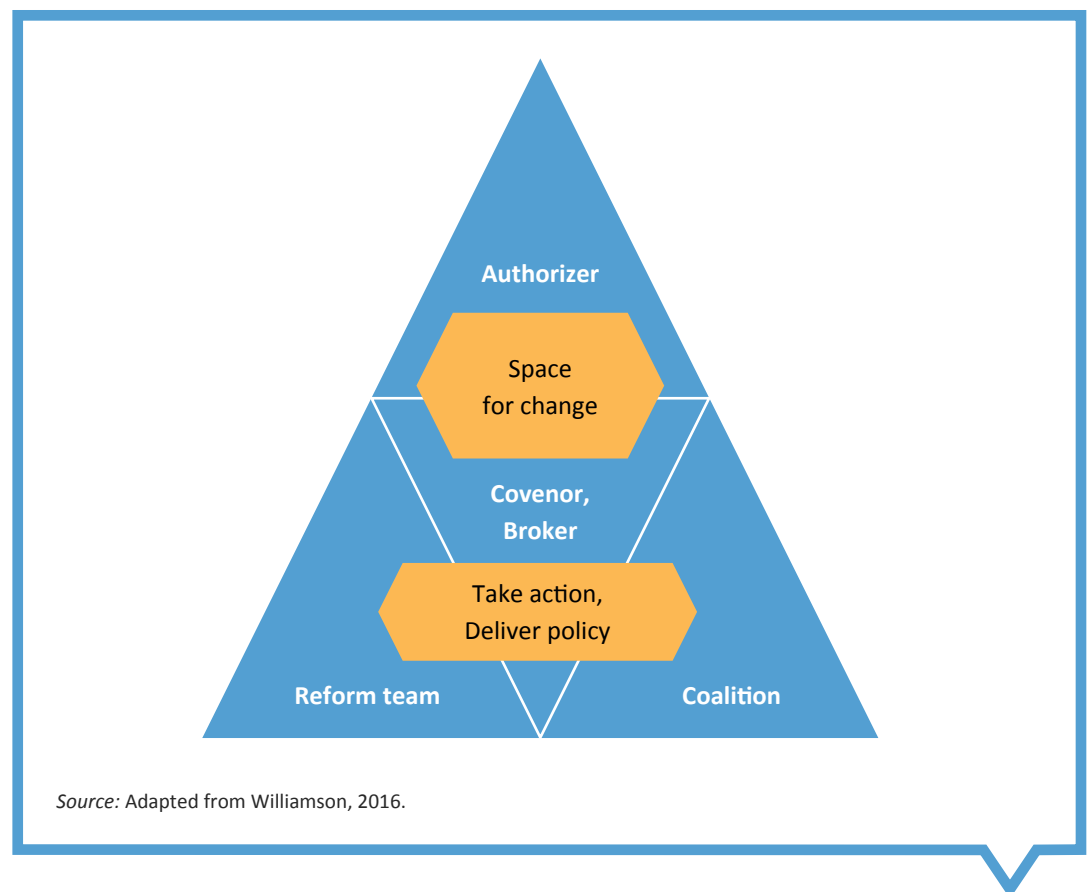
**The concept of "disruptive innovation" is critical here, but rarely pursued by governments. This involves the use of simpler or lower-cost technologies or techniques to deliver an outcome at lower cost than established production techniques.** All too often governments are tempted to seek the most advanced technological solution. Such "sustaining solutions" also tend to be the highest cost and demand the most capability to implement. In low-capacity environments, the capability may not be in place to implement that solution, which may result in failure. Examples of disruptive innovation include relatively low skilled community health workers treating common ailments and referring other patients on, or scripted lesson planning for teachers where capability may be low (Box 2).

**Good leadership is often cited as a requirement for successful change, however, arguably teams and coalitions and the authorizing environment are more critical for change** (Box 14). While a strong leader can be catalytic, a leader alone cannot drive reforms, and a charismatic leader is not always necessary to initiate change. Teams are essential for driving reforms. Building coalitions in support of change is critical since those in favor of change need to gather the necessary political power to implement reforms. The role of convener and broker is therefore crucial in building such coalitions. When countries wish to promote change, they can band together, form coalitions of common interests, and commit to changing certain behaviors that they individually could not achieve. An example is the treaty on the ban of the spread of nuclear arms, the Non-Proliferation Treaty (NPT). While the treaty has not been able to ban nuclear arms outright, it has nevertheless contributed to slowing their proliferation around the world. Conveners such as the United Nations and the Bretton Woods institutions have played a crucial role in convening different parties at the country level to discuss pressing problems the world faces. Such convening and brokering is equally important within countries at different levels, within and across sectors. Coalition building is critical for building trust in fragile contexts. The example of the Somalia Financial Governance committee

> **"Bold policy changes require leadership and the time and support to plan. There must be respect for national sovereignty; domestic actors must have primacy on deciding what national governments do."**
>
> – George Werner

cited earlier (Box 13) helped build trust amongst local stakeholders, and which was facilitated by sustained independent international advice. The authorizing environment is also key—it is important that those in power and authority provide the space for effective change.

## SEEK AND CREATE OPPORTUNITIES AND CATALYSTS FOR CHANGE



### GOVERNMENT OF THE PAST

... sits back and waits for change to happen and accepts rather than confronting challenges; resists change and stifles leadership and innovation; encourages institutions and individuals to work in individual silos; ignores changing circumstances.

### GOVERNMENT OF THE FUTURE

... proactively seeks, creates, and takes advantage of opportunities for change by building coalitions with authority to drive change; by using changes in circumstance and crises to promote change; and exploits the potential of technology to solve and leapfrog challenges.

**THE GOVERNMENT OF THE FUTURE**

**Governments need to constantly seek opportunities and catalysts for change.** This involves investing in building the space for change. Governments will need to be ready to take advantage of opportunities to drive change as they appear, whether expected or unexpected.

- In the future, governments will need to work with **crises and changing circumstances to initiate positive change,** including the tackling of intransigent failures of government itself. It ensures that practices learned during a crisis are not lost as it subsides, and it avoids returning to business as usual. Governments will need to work with a fiscal crisis to drive efficiency gains, and as revenue recovers, it reallocates funding to emerging policy priorities. After learning new ways of working during COVID-19, it learns how to apply the positive innovations as normalcy returns.

- To accomplish this, future governments will need to encourage and leverage **disruptive innovation and the use of technology** to drive change. This involves using existing technologies and capability in new ways to deliver change at low cost instead of always pursuing the most cutting-edge solution. Governments need to avoid automating problems, and instead understand technology as an enabler to achieve objectives and solve problems. Where possible they will leapfrog them, for example by reducing the need for networked infrastructure in

communications or in power generation. In doing so, governments will provide new ways to deliver learning inside and outside schools; enable more effective citizen participation and communication with citizens; or use technology to help tackle climate change, especially in the de-carbonization of energy generation and its use in the public and private sectors.

- Governments in the future will need to avoid making decisions unilaterally and search for, consult and proactively build **coalitions in support of change and teams to deliver change** by using enabling conveners and brokers. Securing agreements of critical interests to enable progress will be key. This can be accomplished by using and aligning informal processes for decision making with formal ones. Those with authority within and outside of governments will use this to provide and secure the necessary space for change.

## CONUNDRUMS AND CHOICES — CHANGE

Future governments may be faced with the following choices and conundrums:

- **New normal or back to normal:** In a post-crisis period, governments often default back to the prior ways of operating. This is natural but it is important to proactively plot pathways out of crisis and changing circumstances. Future governments need to carefully consider to what extent new circumstances or crises have changed the world, and work toward retaining positive externalities that occurred as a consequence of it.

- **Is disruptive innovation cutting edge?** It is a mistake to consider innovation solely as using the newest and best technology available. This may prove expensive, and governments may not have the capability or resources to take advantage of it. Disruptive innovation is using the available capability and technology in the best way possible to solve problems and achieve objectives at the lowest cost.

- **Technology risk and opportunity:** Innovation and technology have the potential to make society more productive and help governments address many issues such as last-mile service delivery, identifying security risks for citizens and protecting life and property. Technologies can also be used to exert more control and surveillance over citizens. Recent high-level cases of tech companies spying on their users have raised concerns in many countries about the potential for abuse that technologies hold. Future governments will have to balance the benefits of technology that lead to an improved quality of life, by better protecting citizens from external threats and ensuring the functioning of the state. Governments will need to guard against the misuse of technology and the effect it may have on society. For instance, if it is applied to monitor citizens, to strengthen the power and control of small elites to the detriment of everyone.

- **Where is the space for change?** When evaluating opportunities and catalysts available, assessing and understanding the space for change is critical. This may be a question of the right leadership or coalition, and the power, authority, and interest they have to achieve change. Or it may be an understanding of those who oppose change and their relative power, authority and potential to block change. When there does not appear to be space for change, it is important to set realistic goals about what change may be possible and pursue less ambitious and more incremental changes.

- **Leaders and coalitions:** While leaders may be instrumental in driving change, they are neither necessary nor sufficient.[71] Governments should invest in forming coalitions to strengthen their response to change, address potential catalysts of change pro-actively, and better prepare themselves for its effects. However, engaging the right mix of actors is not always easy. Forming coalitions is fraught with political challenges; a minimum set of agreed norms and values are needed to effectively address the changes that are taking place in society. Without these agreed norms, coalitions pose the risk of complicating, and thereby slowing, government responses. As public-private partnerships expand the responsibilities of different stakeholders, governments will need to cast their net wide to form inclusive coalitions— while not losing sight of the end goal: to achieve policy coherence when faced with uncertain situations.

- **Authority on paper or in practice?** At first, it may seem obvious that governments have all the power to drive change. In practice, power may lie with a variety of stakeholders. This could be groups of special interests, private firms, trade unions, or civil society organizations. It is important that future governments understand the level of authority that actors have in practice, when identifying opportunities to address changing situations; and study which stakeholders benefit from changes and which ones will lose. This will help inform effective decision making.

# SETTING THE DESTINATION AND PLOTTING PATHWAYS

**A key element of governing is determining political objectives, planning on how they will meet them, preparing budgets to finance them, and communicate all this to citizens, public servants, and the private sector.** This section examines the process of setting objectives through the process of policy making, planning and resource allocation, and how governments actually prioritize strategies and deploy resources through formal and informal processes.

**Each government's process for setting objectives is different, with participants having varying levels of input and influence.** The formal process of setting goals may involve politicians, senior bureaucrats, interest groups, and development partners, each pursuing their own interests and goals. Related planning exercises develop objectives and plans for regions and government sectors that work their way up and down the government structure.

**Planning is a major preoccupation of many governments, yet plans remain aspirational and are often superseded by short-term priorities.** Holdovers from the era of state-planned economies such as National Development Plans continue to the present day and are used in most countries (Chimhowu et al., 2019), accompanied by sector and subnational plans. Often, national plans are merely lists of aspirational objectives, without clear prioritization or thoughts on how to relieve persistent constraints and depart from 'business as usual' operations. Sector plans are often just longer wish lists. This has led to formal plans that offer few real indications of the destination many governments aspire to reach. Governments tend to set too many priorities and seek to appear more proactive than their resources really allow them to be.[72] Few countries manage to set policies around key domestic priorities, particularly those related to industrial change and growth. In practice, short-term priorities often trump longer-term ones, even if they are formally set out in policies and plans.

> **"While governments should be ambitious, they also must be selective when setting objectives and make deliberate choices about what they can achieve."**
>
> – Tim Besley

> **"It is unclear whether citizens are aware of the need to address the trade-offs inherent to competing objectives and limited public finances. And COVID-19 presents new ones: for example, opening the economy and keeping children in school, versus shielding the elderly and vulnerable from exposure to the virus."**
>
> – Molly Morgan Jones

**National plans in LICs have been heavily influenced by international agendas that do not encourage prioritization linked to domestic priorities, capability, and resources.** In LICs, the 2000s started with a focus on poverty reduction strategies, often linked to the Millennium Development Goals combined with the provision of flexible external development assistance to governments in support of those agendas. Since then, external resources have decreased relative to government resources as poorer countries became richer. Meanwhile, bilateral donations have shifted towards "parallel programming" outside of government systems in the 2010s. Donors often try to commit countries to external priorities rather than domestic ones, which can prove counterproductive (British Academy, 2015). Initiatives such as the Sustainable Development Goals are often prominent in policy documents and plans; however, the numerous and aspirational SDGs do not help countries prioritize plans (given their limited resources) and dominate planning cycles. Crises and opportunities require flexibility, which these planning tools often don't help governments to anticipate.

**Often objectives may be set before governments have considered how they are going to be achieved.** Sometimes this is necessary—for example, the global target of limiting future warming to 1.5 degrees Celsius since pre-industrial times is dictated by science, as what is necessary to avert a climate disaster. Governments have been pledging National Determined Contributions, which in themselves are not enough achieve the target, without clearly identifying how they will achieve them and how they will pay for them (see Figure 39). Meanwhile the actual actions taking place fall way below what is required to achieve those pledges. At the country level, it is common for policymakers to pronounce new policies, such as universal free education or relating to housing or jobs, without identifying the means for achieving them, establishing the cost, and ensuring funding is available. Efforts have been made to link resource allocation to the cost of implementing policies through longer-term perspectives to budget preparations, which have been successful in limiting planning, but less so in aligning the allocation of resources towards the cost of implementing policy, whether within or across sectors. LICs and LMICs are still particularly prone to program their political plans beyond what they can realistically borrow and raise in revenue (Simson and Welham, 2014). When resources fail to materialize, governments are forced to reduce their planned activity. In doing so, they fund services in an unreliable manner that often damages service delivery.

**Figure 39: Government objectives do not yet meet the global goal of limiting warming to 1.5 degrees.**



Global greenhouse gas emissions pathways

2020 — 2100

Historical emissions

Pre-Paris

Current policies

Pledged

1.5°C

As the climate crisis has accelerated, the mechanism of setting Nationally Determined Contributions toward the goal of limiting global warming to an increase of 1.5 degrees centigrade, is yet to deliver the required commitments. Collective peer pressure to act has increased with the 2021 climate change meetings in Glasgow.

*Source:* Plumer and Popovich, 2021.

**When developing policies, plans, and setting objectives governments often do not take contextual factors into account.** This includes the availability and distribution of resources, including financial, natural, and human, which determine what a government can accomplish. The capacity of critical institutions, private and public, is also crucial. History and culture, as many examples have shown, can be ignored only at the decision-makers' peril.

**Setting objectives and planning is also often divorced from the business of implementation.** Governments may set objectives, which they don't intend to implement, just to satisfy certain constituents. Governments may also set objectives that they would like to achieve before understanding from the implementers how to achieve it. Top levels of government in hierarchical systems may not listen to more knowledgeable subordinates, who might better understand conditions at the frontline, let alone the citizens themselves. Policies and plans often set out very precise and rigid sets of interventions to achieve objectives, but neglect to secure the buy-in and support of those that implement them. If the plan becomes unworkable, subordinates do not feel empowered to adjust it to new circumstances.

**Governments' actual priorities are often determined by entrenched interests and associated deals among the elite.** Most national governments were no better at securing "consensus on goals" in 2020 than they were in 2006.[73] Priorities might be partially expressed through manifesto policies and cabinet decisions, or even in strategies and plans. Yet, in many countries, the actual decisions about the allocation of government resources are made outside of formal government processes. Ultimately, this undermines the credibility of government objectives: governments insufficiently consider the needs of the population as citizens have little or no say in determining the development priorities of a given country. This discourages state cohesion and increases uncertainty for the private sector and communities. It undermines future credibility and trust in governments and potentially limits the authority of governments' "bully pulpit" for motivating and cajoling cooperation. Yet, such credibility and trust will be critical, if objectives—for example, those related to climate change that rely mostly on changes in private rather than government behavior—are to be achieved.

**Figure 40: Number of governments increasing expenditure on selected priorities from 1999/2001 to 2017/19.**
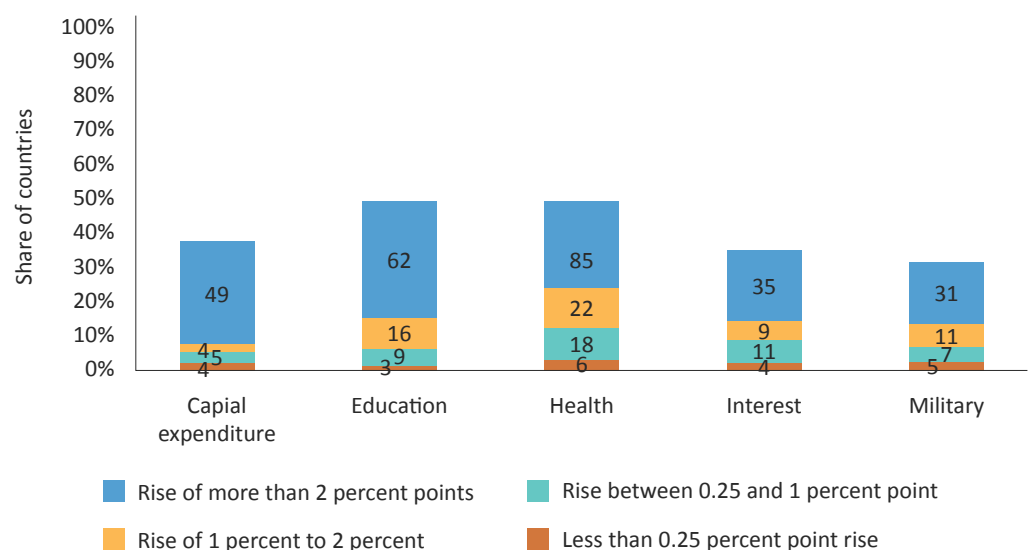


*Source:* IMF GFS, Staff Papers; WHO; UNESCO; SIPPRI. Expressed as the change in the percentage point share of non-interest expenditure since 1999/01 (period average), except for interest spending, which is a share of total expenditure. See https://public.flourish.studio/story/1259394/ for expanded analysis.

**In practice, government priorities are reflected in how governments deploy resources and how they actually behave, which may deviate significantly from formal policies, plans, and budgets.** Nevertheless, one reasonable proxy for *de facto* government priorities is the pattern of government spending, as illustrated in Figure 40, although in many countries, the real action takes place outside the formal government budgets (even in some of the richest countries, "transparent" finances fall short of being truly accountable). Since the turn of the millennium, health has taken an increased share of national government budgets in two-thirds of countries, while generally falling in SSA and EAP. Government education spending as a share of government expenditure rose in SSA, ECA, and LAC. Military spending share generally fell since the turn of the millennium, though about half of national governments increased the share of military spending in their budgets after 2010. Interest payments as a share of expenditure fell dramatically in the same period, freeing up space for other spending priorities. But in SSA and LAC, the global financial crisis and COVID-19 have forced many countries back to 2000 levels, with debt service costs set to rise further in the next few years.

**Figure 41: Multiple fractures in the formal policy, planning and budgeting cycle.**
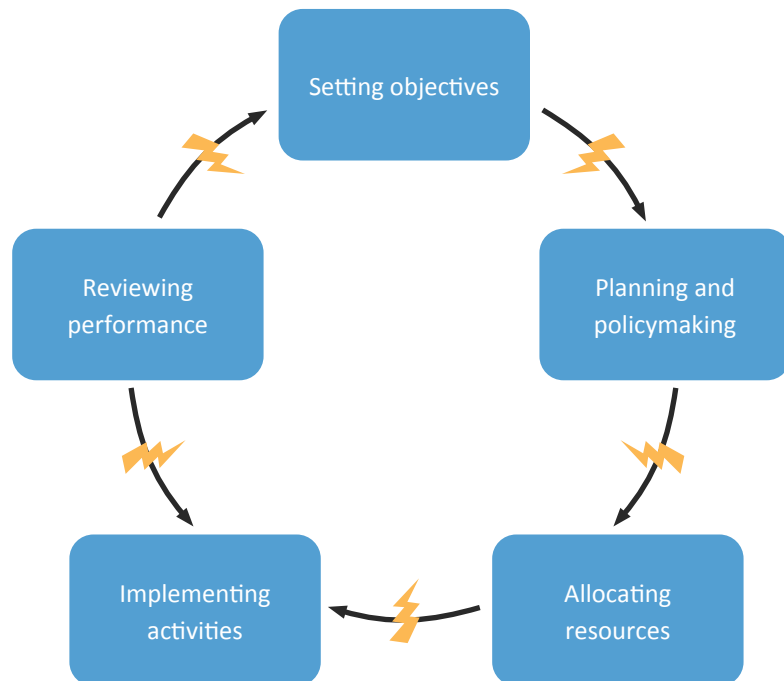


Although significant progress was made in strengthening policy, planning budgeting, and reporting, much work remains to be done. The global aggregate score of Public Financial Management from over 150 countries by 2020 was 2.3 out of 4 (corresponding to a 'C' grade on a scale of A to D).

This means that there are often multiple disconnects in the formal planning and budgeting process. Plans do not reflect government priorities. Resource allocation does not reflect policies and plans. Activities deviate from those planned and budgeted for. There may be inadequate information to evaluate performance. Lessons from past performance are not learned and do not impact future objectives, policies, and plans.

*Source:* https://www.pefa.org/global-report-2020/en/?current=/home, authors, diagram adapted from Wilhelm & Krause (2008)

**PLOT PATHWAYS**

## GOVERNMENT
## OF THE PAST

... consistently over-promises and under-delivers, without considering the demands of citizens, or understanding its own context, constraints, and challenges  does not consult constituents, avoidshard choices, accommodates elites, imports inappropriate solutions and is ultimately unsuccessful in achieving outcomes which respond to citizens' demands.



## GOVERNMENT
## OF THE FUTURE

... is ambitious, yet selective and realistic in what it aims to achieve, understands its own context and capability,  is responsive to the growing demands it faces. It makes deliberate choices about what it can and cannot achieve and develops local solutions to local problems that are tailored to local context. It secures agreement of critical interests.

### THE GOVERNMENT
### OF THE FUTURE

**No government can address all its challenges and meet all the demands it faces simultaneously.** The many government parts that form the whole government—from national legislatures to local bureaucracy—each need to deal with their own critical demands and constraints so that they can focus on a limited set of problems that can be feasibly addressed. Governments start from different points, have experienced different trajectories of change, and will take their own pathways into the future. The trade-offs and choices available will depend on the sector, country, and regional contexts, the availability of resources, and the nature of the demands and constraints faced by governments. The challenge addressed here is to understand how governments can best take deliberate steps along their own pathways towards positive outcomes.

**Governments need to forego the temptation to make short-term, popular commitments that respond to demands that involve unrealistic paths, or paths it does not intend to tread.** Instead, while governments should inspire citizens when setting policy goals, they should base their statements on reality, and describe aspirations that are achievable. Promoting policies that can be accomplished builds valuable trust and credibility inside and outside the government.

**Here we set out a three-stage process for plotting feasible pathways to deliver developmental change** that can be useful for government policymakers, regulators, and providers in different spaces, and those seeking to influence them:

- **The first stage is to identify and prioritize a limited number of critical policy problems from the plethora of demands and challenges it faces.** This involves separating citizens' critical needs from their wants, distinguishing critical constraints from observed weaknesses in the public sector. It involves differentiating immediate from longer-term needs and challenges. It involves mapping the context, by identifying the customers, the institutions and their roles and capabilities, the processes and systems for delivery, and the resources available. It then involves prioritizing and distilling them into a list of policy problems to address and identify the stakeholders involved.

- **The second stage involves investigating the policy priorities, understanding the underlying sources of the related needs and the causes of the challenges, and the stakeholders involved.** Asking the question *"Why?"* repeatedly will help move beyond symptoms and proximate causes to underlying causes. What governments can achieve and how they can achieve it is determined by context, capabilities, resources, and the stakeholders involved. This includes the stakeholders' power and their interests.

- **The third stage involves setting a destination that solves each policy problem and plotting a pathway to reach that destination.** The destination, the objective, should be both achievable and ambitious. This involves identifying the changes that would be involved in achieving the objective, that address the underlying causes related to the policy problem. Collectively, those involved should plot potential pathways toward this destination. Not everything can or should be pre-planned, but the route sets out clear milestones along the way that represent progress, and key responsibilities of those involved. Based on the available options and what appears most feasible, a government would then set its destinations and decide on an initial route. This involves making deliberate choices about what it aims to achieve and what may not be achieved—and being clear of the opportunity costs of the chosen route. Choices need to be made in the content of policy objectives, and the trade-offs made explicit. Governments should also be clear as to how they will know they have reached the destination, and how they can plot and measure their progress—in both qualitative and quantitative terms.

**This three-step process can and should be a collective one and used by governments to build teams and coalitions to deliver change and the authorizing environment to enable it to happen.** They will need to recognize that all those involved, citizens, bureaucrats, and elites need to be willing to go along the journey and take the necessary steps. To ensure this, the process needs to include key stakeholders. Depending on the context, culture, and space for reform, plotting a pathway and agreeing on a route may be achieved through formal policy making and strategy formulation processes; or it may be achieved less formally by creating conditions for "deals" — securing agreements from critical stakeholders to act and agreeing on genuine actions alongside formal strategy development and decision-making processes. Ultimately, whether it is formal or not, the deal is critical.

## CONUNDRUMS AND CHOICES — PLOTTING PATHWAYS

When plotting pathways to new policy agendas, future governments may be faced with the following choices and conundrums:

- **The many and the few:** When prioritizing demands in their plans, governments need to consciously learn how to balance the power and interests of wealthy elites both inside and outside government with the key needs of wider society, the poor and marginalized groups. Elite demands often exert disproportionate influence and are opposed to that of the wider society. If they do not manage to strike a balance, they may risk their political survival. Greater stakeholder engagement in the process of policy planning and setting can help alleviate this problem.

- **Causes not symptoms:** When working to understand the challenges they face, governments often confuse their symptoms with their causes. It is critical that governments identify the underlying causes of their constraints and seek to address them, not to focus on symptoms. When understanding constraints, it is important to distinguish causes that are technical in nature – relating to the sector or policy concerned – and those which arise from governance issues, such as institutions, incentives, interests, and power. Many challenges are caused by a mix of both.

- **Immediate or future goals:** Often, the overriding incentive in the decision-making process of governments is to prioritize easier to accomplish short-term goals over riskier but difficult long-term ones. Governments need to be mindful of the reasons for this and find sufficient space to address both.[74]

- **Focus on certainties or crisis risks:** Government plans are usually focused on predictable needs. But it is also essential that governments be prepared for crises that may occur at any time, require substantial resources, and take attention away from the government's agenda. These crises may come quickly, like COVID-19, and impact governance for a limited time; others may come slowly and present longer-term risks and effects, such as climate change. While certainties will always require attention, governments should also be prepared for crises. While it is easier to convene support to fix the dam after it has destroyed the village, it is also more expensive to do so. Investing in resilient infrastructure and maintenance requires more political will, but less resources in the long run.

- **Few or many goals:** The temptation for many governments is to commit to making gains across many areas of responsibility simultaneously, meeting more demands. But this is likely to lead to over-promising. How can governments select and focus a few priorities and be able to demonstrate early progress when confronted by many challenges and demands?

- **Feasibility or greater popularity:** Governments crave popularity, and it is tempting for governments to seek popularity by promising what people want rather than what they can deliver. How can governments remain popular while limiting themselves to promising only those destinations within reach and investing in goods and services where the benefits accrue long into the future?

- **Plans need deals:** Should governments try to set objectives through formal, political, and technocratic policy making and planning processes; or should they put more emphasis on trying to make deals between politicians, bureaucrats, and interest groups that will be critical for progress? Formal proposals may be better designed technically, and their objectives more in line with other policy goals, but they can be blocked. Deals may be more credible and durable, and consider interests inside and outside the government, but not be technically optimal. How can a balance be struck between the 'real' politics under which a country is governed and the technical soundness of policy?[75]

# TAKING STEPS, LOOKING, LEARNING, AND ADJUSTING THE ROUTE

**LOOKING BACK TO THE FUTURE**

**Governments are often very productive when it comes to developing policies and plans, but their record is more mixed when it comes to the implementation of those plans; and governments have been less successful at addressing more complex developmental challenges.** In looking back to the future, previous sections have highlighted that governments have been able to make progress in some areas—whether it is enforcing macro-fiscal discipline in ways that deliver macro-stability and growth; or progress toward solving the problem of physical access to social services such as health and education. The areas of policy implementation, which have been successful, tend to involve a limited number of actions implemented through top-down control from a limited number of actors. For example, a ministry of finance, supported by the head of government, enforcing top-down expenditure control (Hedger, Manning, and Schick, 2021). Success has also been found where bureaucratic and political incentives are aligned. For example, the success of construction of new service delivery infrastructure in health or education and local representatives' willingness to act can be linked to incentive alignment (Williams, 2016). The areas in which governments have been less successful—such as the implementations of policies aimed at addressing market failures relating to the security of jobs and livelihoods—are more complex problems. They require coordination and cooperation across multiple actors within and outside government, influencing their behavior. There are many unknowns, and situation-specific challenges and opportunities.

*"You have to accept that most attempts at reform will fail. To avoid this, you have to leverage technology to succeed, and this is possible with good leadership, internal capacity, and an understanding of the value of data."*

*– Clement Uwajeneza*

**The previous sections highlighted problems in the design of policies and strategies that set governments up for implementation failure.** They include those that do not consider government resources and capability; or do not reflect the *de facto* priorities of governments (Hallsworth et al., 2011). Other failures relate to governments not addressing the underlying causes of failure or not responding to public demands. Other failures are caused by a lack of an accompanying "deal" with those involved in implementation to provide an incentive to support progress.

**Box 15: Pre-planned or Experimental: Contrasting the Approaches of NASA's Special Launch System and SpaceX Starship**

The public and private sectors work differently; this is no surprise. Drawing direct parallels between the two is often seen as unfair due to the vastly different incentive structures and roles that governments fulfill compared to the private sector. Nevertheless, one area that the private sector is often shown to outpace the public by a wide margin is agility and risk tolerance. Future governments will need both.

Elon Musk's Space X has set its sights on space, a domain that was previously the exclusive sphere of NASA and other government-led space agencies. His approach to building rockets differs vastly from that of NASA. Using an "iterative design," the company builds vehicles, tests them, and flies them as quickly as possible. Failures such as the explosion of a rocket in November 2019 are tolerated as a means to improve. This approach strongly contrasts with more traditional aerospace, in which years are spent refining a vehicle's design before building one. This typically results in fewer explosions but requires a lot more time and funding (Berger, 2020).

Predesigning a large rocket, on chance, and coming up with novel designs free of legacy technologies are one aspect that set SpaceX apart from NASA. The latter has been receiving extensive funds for its new space launch system under the Artemis program, a legacy of the Space Shuttle program that ended in 2011. The bill underpinning this new program lays out in great detail what to build and what kind of pieces to use. Moreover, it doesn't create an incentive for the contractor to finish its work within a set time and budget. Boeing, for example, received 86 percent of the available contract fees for developing the core of the system *"despite being billions over budget and years behind schedule"*, according to Inspector General Paul Martin, the watchdog of the federal space agency.

Cost is one aspect, agility is another. The Space Launch System (SLS) rockets are designed to be single use and as such it is envisioned that they will only be launched once a year. Elon Musk's heavy-lift rocket is reusable and designed to be refueled in flight, allowing it to carry more people and cargo (Sauers, 2022).

In a field where ten years can witness massive advances in technology, such rigid guidance is bound to lead to both higher costs and potential loss of competitiveness. More than ever, the Government of the Future will have to strike a balance between planning and risk-reduction measures and maintaining agility and flexibility if it wishes to stay competitive internationally.

There are several characteristics that governments continue to exhibit during implementation that also undermines their ability to solve these more complex problems.

- **First, when implementing policies and plans, governments can often be inflexible and risk averse.** They have a propensity to stick to a plan, even if it is obvious that a change of course is required. Information and communication technology and large infrastructure are particularly blunder-prone (Flyvbjerg, Bruzelius, and Rothengaffer, 2003). Politicians and bureaucrats do not like to be seen to fail. They want to be seen as sticking to the plan. There are numerous

examples of white elephants, where infrastructure projects are completed but never used, or where government software packages are delivered but never even installed because those involved are reluctant to be associated with an abandoned project, fearing accusations of incompetence. Examples in rich countries range from multibillion-dollar regulatory failures such as the Boeing 737 Max (NPR, 2021) to delivery failures such as the U.K. government's ICT programs (U.K. House of Commons, 2010; Der Spiegel, 2012). This discourages innovation, and contrasts with approaches in the private sector (Box 15).

- **Second, politicians and bureaucrats may focus on maximizing resources and inputs available to them, and comply with rules and regulations while they use these resources.** It is very easy for those in government to lose sight of the ultimate reform objective and fail to progress towards it. Similarly, there is a propensity to excessively control the use of resources, and to not delegate and provide those responsible for resources sufficient flexibility to perform.

- **Third, governments tend to be hierarchical and siloed.** Staying within institutional silos is often most comfortable for bureaucrats, even when cross-agency collaboration is required to successfully implement policies. Often, collaborative working across teams is not encouraged, or even actively discouraged. Solving challenges such as agriculture or nutrition requires multiple government agencies playing complementary coordinated roles regarding, for example, nutrition and agriculture value chains (World Bank, 2019).

- **Fourth, government officials and beneficiaries of existing interventions are often extremely loss-averse.** Given tight resources, even if governments want to make a decisive break with past practices for example to focus on fewer, better managed interventions, they face determined opposition from those benefiting from the status quo.

- **Finally, governments are not always good at learning and adapting based on that learning.** Bureaucracies are often set in their ways. Support instruments from international organizations such as the World Bank tend to emphasize and incentivize sticking to planned activities rather than adaptation based on experience (Ferguson, 1990). Large investments have been made in monitoring and measuring progress, but this has not always transformed governments into learning organizations.

**Despite these tendencies, anyone who has worked within government understands that implementation rarely goes to plan, progress is seldom linear, but it is possible to deliver change.** Often, day-to-day work involves firefighting and problem-solving, progress and reversals—and the challenge is ensuring that this day-to-day problem-solving shifts government toward more positive outcomes. COVID-19 provided examples of governments at their problem-solving best—working more flexibly and collectively across different agencies and levels. The center of government— typically ministries of finance, health, trade, and law enforcement—focused on making progress against the virus, in a context where failures were inevitable, and learning from those failures was critical to success. A key challenge is to ensure that this progress is not lost as the pressing nature of the COVID-19 crisis subsides.[76] Progress requires a consistent, persistent focus on delivering change amongst the day-to-day routine pressures of running a government.

**TAKING STEPS, LOOKING, LEARNING AND ADJUSTING THE ROUTE**

# GOVERNMENT
# OF THE PAST

... reacts to the situation without a clear sense of direction, uncoordinated and acts in silos, avoids taking risks, continues to look inwards, fails to learn from mistakes and adjust its actions.

# GOVERNMENT
# OF THE FUTURE

... takes deliberate coordinated steps toward its destination jointly with the key stakeholders involved, takes calculated risks, learns from progress and missteps along the way and when needed, is flexible and adjusts the route.

## THE GOVERNMENT OF THE FUTURE

**Making progress on the journey itself is the most critical part of the whole process of reimagining government.** The stakeholders involved need to be prepared to be flexible, learn and adapt along the journey.

- **Take deliberate steps, with urgency along the route, toward the destination.** This involves public sector institutions taking decisions and implementing actions in a collective and coordinated manner consistent with what they are capable of and what is feasible given the context and environment. This involves breaking out of institutional silos and forming teams to deliver specific changes. It involves public sector leaders encouraging such joint working and action, by convening actors and empowering teams to deliver. It often involves tough choices around stepping down from existing priorities and managing determined constituencies. And it involves leaders, teams, and individuals, keeping sight of the destination when taking actions.

- **Look and learn along the way.** The journey will not go according to plan—there will be reversals, missteps, and progress in unexpected areas. To an extent, governments may be "feeling their way in the dark" (ANZSOG/Brookings, 2022). The relationship between officials' actions and wider outcomes is hard to anticipate. Care should be taken to address missteps sensitively, as apparent 'underperformance' may not be actual, and tolerance of misfires might help create the space for change.[77] However, those involved need to track how they are progressing, understand why progress is being made or constrained, and learn from the experience. This requires constant re-evaluation of their understanding of the challenges to be overcome and the changing demands as actions are taking place, including the impact on the chosen route.

Continuous experimentation encourages those involved to recognize missteps and to learn from failure, rather than failing to learn.

• **When necessary—and it will be necessary—adjust the route.** The government will need to adapt, be nimble, and be flexible. When adjusting planned actions, it will encourage teams to innovate and take informed risks based on what they know and do not know. Sometimes it may be necessary to adjust the destination as well; this may involve being less or more ambitious or changing the nature of the destination—depending on what is desirable and feasible in the light of evolving circumstances.

**CONUNDRUMS AND CHOICES — TAKING STEPS**

When taking steps along the way, Governments of the Future may need to consider the following conundrums:

- **Individual and collective action:** Making progress in solving complex problems requires coordinated and collective action. Yet progress involves individuals and individual institutions taking actions and changing their own behavior. Progress requires individuals to play their part, but also demands that bureaucrats and politicians break out of their silos and work across institutional boundaries in cooperation and synchrony, to make progress.

- **Participation, process and the product:** Governments need to pay attention to the reform processes, emphasizing stakeholder participation and consensus when identifying and implementing actions for achieving objectives, even if this is at the expense of selecting the most technically sound policies and strategies. Otherwise, they risk stakeholders opposing or slowing implementation to reform.

- **Steps and leaps:** The temptation when reimagining government is to think that that progress is possible only with giant leaps, but progress is generally made through teams and institutions taking small steps and implementing activities that culminate in progress. At certain points, an individual step can cause catalytic change, but more often progress is incremental and deliberate.

- **Pre-planned and searching:** Planners cannot always predict what problems implementers will face and may prescribe a solution that leads to poor performance. Experimentation does not come naturally to governments, who are risk averse. Rather than try a number of different solutions to a problem with the expectation that many will fail, governments typically prefer to thoroughly pre-design and implement a single solution. "Searchers, both economic and political, who explore solutions by trial and error, have a way to get feedback on the ones that work, and then expand the ones that work, all of this in an unplanned, spontaneous way." (Easterley, 2006). Governments need to deliberately encourage experimentation and learning from failure. In some areas, citizens and elites understand and accept public sector risk and the potential for failure. An authorizing environment needs to encourage purposeful experimentation. What it should discourage is failure to learn from any failure.

- **Flexible or orderly:** Governments face calls to both be responsive and adaptive on the one hand and be consistent and ordered on the other, keeping their promises by intervening in a predictable and reliable way. The consistent application and enforcement of rules is a key quality of 'impartial' government and creates the conditions for coordination with the private sector. Yet, policy implementation is rarely smooth, and requires a degree of flexibility and agility to adjust courses of action based on experience. Governments should be able to combine agility and flexibility with some consistency to support deals with important actors.
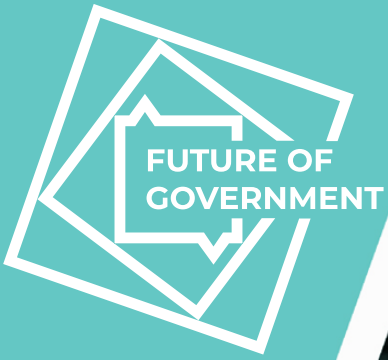
# CONCLUSION

# ACT NOW TO BUILD THE GOVERNMENT OF THE FUTURE

**AN URGENT CALL TO ACTION**

**We conclude this report with an urgent call to shape the future actions governments take towards development in a different way.** The time to reimagine government is now; the fiscal constraints, the additional roles of government to respond to crises and the growing expectations of citizens amid their decline in trust, all result in this sense of urgency. This report sets out a process for planning the journey and taking steps along the way to a better future that can be taken up by government and non-state actors. The process for renewing the social contract for the 21st century starts by asking four questions: what is the role of government? How can it deliver? How can it be productive? How can government build trust?

**History has shown us that governments can successfully meet the challenges they face, no matter how severe – and change for good.** In the 20th century, the New Deal helped the USA emerge from the Great Depression, the formation of the welfare state across Europe following the Second World War provided health and economic security to millions. In first decades of the 21st century, lower and middle-income governments have lifted hundreds of millions out of poverty and have expanded provision of basic services. Governments have enabled and taken advantage of a revolution in technology. Change is possible, even in the most challenging contexts. There are people in every country and in every government who can and do use the power, influence, and authority they have, within and outside formal structures, to deliver changes in government. Opportunities abound from new technologies and disruptive innovations, to changing circumstances, leveraging teams and coalitions and harnessing authority for good. Change is possible, even in the most challenging contexts. Governments must and will reinvent themselves again to meet the challenges of the 21st century.

**Reimagining government involves governments governing differently, regardless of the political system and distribution of power.** The government failures of the past indicate that many of these failings are rooted in problems of governance. For government behavioral change, we draw on the framework of the WDR 2017, to suggest that there needs to be change in the way in which policy making, service delivery and regulation are done. By establishing a process that brings coalitions together in the policy-making space, we believe new development action can emerge where governments might seek and create catalysts and opportunities for change that speak more directly to citizen's needs. The process demands that those involved identify local solutions to local problems, and in doing so, be more realistic in what governments can achieve, which is tailored to local capacity. The individuals and institutions outside government may also need to change

behavior so that they can support the proposed approach. The Government of the Future is built more on collaboration and consultation rather than competition and conflict.

**There is clearly a role for international partners, including the World Bank, to play in supporting strengthening these more inclusive processes.** This requires change in the approaches of and metrics of success for international agencies. First, we suggest greater upfront acknowledgement of the diversity of context, culture, and challenges, and the need to tailor advice on both desired outcomes and processes accordingly. Second, what follows is a greater understanding within such organizations on the power, influence, and interests that are at play and often lie, like icebergs, below the surface. This approach calls for international agencies to provide assistance and advice while not prescribing solutions, and to play the role of a convener, broker, and facilitator, helping governments build diverse coalitions and teams for change. The setting of international development goals is a great step in calling attention to the plight of citizens globally and locally. Yet governments and non-state actors need to be supported to identify their country-specific challenges, set their own destinations, and plot their own pathways.[78]

**START BUILDING A COALITION NOW**

**So how can governments start? They can start by building coalitions for change. The entry points to reimagining governments are everywhere:** at the center of government, in local governments, and across sectors. The key starting point is doing more to listen to citizen needs, which was a persistent message emanating from the Future of Government debates. It should involve initiating conversations across communities, civil society groups, traditional groups, and private organizations. It also requires conversations within and across the levels and institutions of government. Be as inclusive as possible. What is clearly helpful is setting a tone of consultation that comes from the top, with leadership that encourages consultation and collaboration and is focused on identifying meaningful goals that resonate with citizens and prioritizing what realistically can be achieved.

**One key feature in ensuring realistic, achievable goals is to prioritize, bearing in mind the fiscal realities, available capability and context.** Governments are struggling to raise revenues as a share of their GDP despite their own efforts and the international community's support. Governments and the coalitions built around them need to be cognizant that the debt burden today will require future generations to pay. Coalitions need to think about what roles governments can and cannot play, as well as how those roles can be delivered and who else can deliver them. This can lead to more affordable government solutions.

**Setting a different tone on issues of government is key to building trust and unlocking the capability for government to play its role and deliver.** We have seen that there have been declines in trust in some regions, often linked to concerns about government integrity and intent, which may undermine citizen's willingness to comply. Building trust may require an acknowledgement and understanding of past failures and a renewed emphasis on communication, participation, delivery and other ways of building legitimacy and trust.

**These discussions should bring stakeholders together to relook at the social contract, understand the situation at hand, identify the critical issues to focus on, plot pathways, agree on the route, and act.** The conversations should be open, honest, and constructive with all stakeholders agreeing on and working towards a common goal. Participants should be encouraged to think 'outside the box' for innovative and radical ideas and actions. Bringing fresh approaches from a broad range of perspectives increases the likelihood of identifying actions that will bring positive results.

**Regardless of the level or sector in focus, governments will need to set their own destinations and plot their own pathways.** The routes will be different. The social contract will be different. The journey will not always go to plan and there will be pitfalls along the way. But with a clear sense of direction, it is possible for governments to change for good.

**To support the pursuit of change, not one, but a broad range of different coalitions and teams will need to be formed.** The initial conversation that leads to action need not take months; it can take place over a few days and be revisited again and again. Building support for action can occur quickly or may need to be fostered over a longer period of time. Governments should not be deterred by how long it may take to build support for action; a crucial step is the first step of starting a conversation about how to reimagine government. Depending on the context, the teams and coalitions formed may be informal or formal. They may start informally and be formalized over time. The principle of participation and engagement is key. Whilst change can be rapid, the teams that drive change and the coalitions that support it need to be aware that change is more often incremental, takes time, and requires persistence and determination to deliver. Yet change is possible all the same.

## TAKE THE FIRST STEP NOW

**IN HEALTH AND EDUCATION**
Tackle the learning crisis in schools.
Address gender gaps.
Confront chronic staff absenteeism.
Address trust in healthcare.

**IN SECURING JOBS AND LIVELIHOODS**
Generate quality, secure jobs.
Need for social safety nets.
Address security of land tenure.

**"START A CONVERSATION"**

**IN HANDLING CRISES**
Establish and maintain peace.
Adapt to climate change.
Address vaccine hesitancy.

**AT THE CENTER OF A GOVERNMENT**
Identify the five critical areas of action for the government to focus on to drive an inclusive and resilient recovery.

**Convene stakeholders, relook at the social contract, understand the situation at hand, identify the critical issues to focus on, plot pathways, agree the route, and take action.**

**As the Future of Government Initiative continues, it aims to foster global, regional and local coalitions for change.** Conversations will continue around specific development challenges. The Initiative will start supporting country level processes for reimagining governments. The Initiative will provide interactive and accessible resources useful to those reforming government, through the website developed alongside this report. Ultimately, the success of the Initiative will be judged on whether it provides a spark, a catalyst for country level action in changing governments for the better.

**The journey starts with individuals, whether inside or outside governments.** We ask you, the readers of this report, to reflect on where your government is, your role in the Government of the Past and your potential role in the Government of the Future, and how you can change behavior to support changing government for good. What part can you play in making this collective journey happen? With whom do you share interests? Whom can you influence? Can you start building a coalition for change? With whom could you have a conversation? And we ask you to have that conversation today and take the first step of the journey now.

# NOTES

1. In 2010 the World Bank estimated that countries with debt greater than 77 percent of GDP were likely to reduce their annual real growth with any additional debt. As of today, an estimated 50 countries, including some of the largest economies have reached this threshold. World Bank (2010) *The Tipping Point*.

2. See https://ucdp.uu.se/downloads/index.html#armedconflict. Although with less conflict-affected deaths, the number of ongoing conflicts particularly civil conflicts with and without foreign state intervention has been on the rise since 2010.

3. The global financial crisis added 53 million to the-then $1.25 PPP per day extreme poverty headcount (Ravaillon and Chen, 2009).

4. The "social contract" underpins the relationship between governments and their citizens. The social contract between a government and its citizens can be defined as "the norms and rules governing how collective institutions operate" (Shafik, 2021). Citizens are required to obey laws and support their government financially, through taxes and other contributions. In return, governments provide security, protect property rights and provide a range of goods and services. A social contract can be considered stable when there is a balance between perceived societal "sacrifices" on the one hand and expected benefits on the other.

5. Whether at the point of delivery, or via a longer chain of accountability through the political process.

6. Incidence at $5.50 PPP fell from 66 to 44 percent (World Bank Open Data, 2021).

7. Also, as measured by the average national Gini coefficient, income inequality declined in Latin America, Asia, Africa and the Middle East (Simson and Savage, 2020).

8. World Bank Databank, https://www.worldbank.org/en/publication/human-capital#Index

9. 5.5 million children under the age of five nevertheless died in 2017 (Our World in Data, 2018).

10. Both graphs use the 2022 classification of country income status.

11. Captured by various learning assessments including Uwezo/ASER, LLECE and PASEC alongside some significant declines (Le Nestour, Moscoviz, and Sandefur, 2021), discussed below.

12. See https://public.flourish.studio/story/1259394/ for an overview and country trends.

13. Burgess et al. (2020).

14. Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, Honduras, Mexico, Panama, Paraguay, Peru; Botswana, Eswatini, Gabon, Lesotho, Namibia, South Africa, and Zimbabwe. Latest data chosen. Among countries with data in the World Bank Atlas of Social Protection Indicators of Resilience and Equity (ASPIRE), accessed May 2022.

15. World Bank staff estimates based on sources and methods in World Bank's "The Changing Wealth of Nations: Measuring Sustainable Development in the New Millennium" (2011) https://data.worldbank.org/indicator/NY.ADJ.NNAT.GN.ZS?locations=ZQ-Z4-Z7-ZJ-ZG-8S

16. Many EA and SA countries have relatively formalized pension contribution systems and postal savings schemes (ADB, 2020).

17. World Bank (2021) Home-Based Work in the Colombian Public Sector during COVID-19 and Perspectives for the Future, World Bank Future of Government debate, June 2021

18. The number of countries that progressed from low to middle-income status between FY10 and FY22: FY10: 15; FY11: 12; FY12: 12; FY13: 3; FY14: 7; FY15: 2; FY16: 6; FY17: 3; FY18: 2; FY19: 4; FY20: 6; FY21: 5; FY22:3.

19. Comprising cash social assistance, social benefits including pensions, in-kind and public works programming.

20. See for example IMF Fiscal Monitor April 2021, Figure 1.

21. A simple average of a balanced panel of countries produces similar results (28%, 35%, 36%). Note that the 2020 round was interspersed and delayed by COVID.

22. FAO yields per hectare data shows some improvement but no "green revolution" in SSA for example.

23. Just a handful of SSA countries participate in global value chains. For a more optimistic perspective, see Newfarmer, Page, and Tarp (eds.), 2017 and Page and Tarp, 2020.

24. More generally, Improved World Bank Women, Business and the Law scores are evidence of better legislation; implementing legislation is another matter. COVID-19 may prove a lasting setback in some countries, as labor participation has been very slow to change.

25. See examples in World Bank, 2020; also, examples in Pritchett, Sen, and Werker 2018, and de Waal, 2017; and in the United States, Philippon, 2019.

26. Examples include Bold et al. (2021) and Ashour et al. (2017) in Uganda.

27. Examples include Khan (2012) in Pakistan.

28. Ahmad, Khan, Haque (2020) in Bangladesh; Uwezo surveys in Uganda (2019), Kenya and Tanzania (2015) reveal the prevalence of contaminated water in schools.

29. However, among the lowest-provision countries there is significant variation in regulatory capacity, as demonstrated by low correlation between WGI quality of regulation and primary completion rates.

30. V-dem 11, see https://public.flourish.studio/story/1440541/

31. UNICEF and WHO via Our World in Data 2021.

32. Level of clinical knowledge "were measured [based on interviews with over randomly sampled 20,000 workers] using clinical vignettes focused on seven common [medical] conditions."

33. For instance, Brumby and Gökgür, 2021 on SOEs, but more widely, Andrews, Pritchett and Woolcock, 2017.

34. Various evidence on all sides, see Deutschmann et al 2022 on upsides, and Rogger and Rasul, 2018 on downsides; OECD n.d.; Williams, forthcoming.

35. See for instance the World Bank's Service Delivery Indicator surveys.

36. This box draws from comments in Pritchett, 2022.

37. Gates, 2021, and comments by Thompson and Tooze in Talking Politics 2021 (audio).

38. For example, Krznaric, (2019); Fisher (2019).

39. See Luong and Weinthal (2006).

40. Figure 10.17 in IADB (2018).

41. See World Values Survey data which shows the growing expectation that governments should take a greater role, amid falling satisfaction according to Afrobarometer and LAPOP on https://public.flourish.studio/story/1563271/.

42. Shown by lower levels of satisfaction in 12 African countries for handling of jobs versus education and health (Afrobarometer, seven waves).

43. Including Nigeria (ICTD data , 2021).

44. WDR 2022, IMF Fiscal Monitor series April 2021 and 2022.

45. See https://public.flourish.studio/story/1140551/. Note that this index caps some countries' scores at half due to their system of government. "BTI countries are selected according to the following criteria: They have yet to achieve a fully consolidated democracy and market economy, have populations of more than one million, and are recognized as sovereign states (BTI codebook 2022)."

46. See https://public.flourish.studio/story/1257850/ for graphs.

47. Such as the famously effective graduation programs led by the NGO BRAC.

48. See further analysis of the 2018 Wellcome Gallup poll at https://public.flourish.studio/visualisation/8594339/.

49. For example, see definitions of government, to govern, and to rule at https://www.collinsdictionary.com/.

50. This is referred to for countries in fragile, conflict, and violence (FCV) settings as a "violence-reducing agreement."

51. Andrews, Woolcock, and Pritchett (2017) contrast the Doing Business scores with actual experiences in the enterprise surveys on various government authorizations of business activity.

52. Cohen argues that even in advanced economies, the regulatory state has failed to upgrade its capability to meet the challenges of the "information age." Arguably, various parties including the World Bank have confused removing regulation with improving it. See Alfaro et al 2021.

53. WGI measures on regulatory quality and government effectiveness are highly correlated. But there is variation at the bottom end in provision and regulatory capability. WGI regulatory quality and primary school completion for countries with percent completion below 95 percent (54 countries with data in 2019) have low correlation.

54. Although today's LICs are richer than they were in the past.

55. V-dem data reveals increases in CSO repression in almost every region in the 2010s. See https://public.flourish.studio/story/1013869/.

56. V-dem 11.

57. Examples include those in Andrews, Pritchett, and Woolcock, 2017, Ferguson, 1990, Bridges and Woolcock, 2017, Levy, 2014.

58. Governments also struggled to sustain successful models due to public impatience and repeated waves of COVID-19; for example, in Germany.

59. IMF classification, see IMF WEO products.

60. See a review of the UK experience in Dixon and Hood 2016.

61. See Bashir et al. (2018) for information on teacher conditions and challenges regarding attendance.

62. See case study on Future of Government website.

63. Pignatte and van Belle, 2018 document the prevalence of direct job provision – the most expensive type of passive labor market measure – in the poorest countries.

64. Both Bandiera, Prat, and Valleti (2009, Italy) and Best, Hjort, and Szakonyi (2017, Russia) test a subset of standardizable goods, which tend to be lower value and simpler.

65. Court-based interventionism is a wider trend: See for instance Sumption 2020 *Law in a time of crisis* Profile Books and the associated BBC Reith Lecture; recent action in Uganda to censure the government for failing to provide a right to maternal healthcare https://www.cehurd.org/publications/download-info/judgement-to-the-constitutional-petition-no-16-of-2011-maternal-health-case-decided-in-the-affirmative/ and pro-poor legal reform in Bangladesh https://cdn.odi.org/media/documents/9585.pdf. For a multi-country review, see Varun, Gauri and Daniel Brinks, eds. (2008), *Courting Social Justice: Judicial Enforcement of Social and Economic Rights in the Developing World* (NY: Cambridge University Press).

66. At least in Europe: See Clench-Aas and Holte, 2021.

67. Vdem 11 data on access to health and education services since 2000.

68. Examples of this approach working successfully include religious intermediaries used in Pakistan (Vyborg 2021) and a prominent economist in India (Banerjee et al 2020).

69. For a useful account under a hyperbolic title, see Anderson, 2018.

70. Rodrik (2004) outlines key pre-conditions as do Triki et al (2022). Balchin, Booth, te Velde (2019) provide several cases where specific political factors or bureaucratic features mattered for sectoral transformation and failure. For high-income countries, it's also more difficult now; see also the 2020 WDR, which highlights how few LICs and MICs in SSA are part of global value chains. Within-sector productivity improvements has been emphasized by recent World Bank research (Maloney et al., 2022).

71. At the head of government level, see Easterley and Pennings, (2020) Leader Value Added: Assessing the Growth Contribution of Individual National Leaders. NBER Working Paper 27153.

72. Examples include Williams (2016) on Ghana.

73. Bertelsmann Transformation Index. See more on the Future of Government website and note the cap on some scores for some forms of government.

74. Figure 10.17 in Izquierdo, Pessino, and Vuletin (eds.), 2018.

75. For example, think of the Odebrecht/Petrobras scandal in Latin America and subsequent ramifications.

76. As head of the Pakistan Administrative Service Officers' Association, Rabiya Javeri Agha said in the third Disruptive Debate (2021): https://www.worldbank.org/program/futureofgovernment.

77. See for instance the discussion of UK versus New Zealand destination-setting experiences and reactions in chapter 14 and chapter 6 of ANZSOG/Brookings (2022).

78. A supplementary report will be prepared for international organizations to support the process of reimagining government.

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