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Rethinking resilience: Ten priorities for governments

Due to the pandemic, governments are under increased pressure to act quickly and at scale. By reimagining how they work, they can create resilient societies and public services for the next normal.

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Executive summary

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The COVID-19 crisis has ramped up pressure on governments to serve citizens at a speed and scale not seen in peacetime. In this article, we highlight ten priorities that can shape more resilient societies, build more resilient governments, and revitalize the core capabilities of the public sector. We discuss cutting-edge best practices and suggest several transformational "next practices" that leaders can embrace to reimagine government for the long term.

Shaping more resilient societies

Based on our experience, four approaches could help governments create more resilient societies:

1. Hone virus control and reimagine healthcare. The COVID-19 pandemic has affected all stakeholders in the healthcare ecosystem. Examples of effective responses to this crisis abound, such as using digital technology to support containment and preparation to accelerate supply of personal protective equipment (PPE) and healthcare capacity to meet the surge in demand and navigate the road to recovery. Governments can unlock the potential in the digital and telehealth sector to make these services the first choice for patients and globally accessible.

2. Unleash a learning revolution. Governments have been forced to rethink learning and education systems to combat the effects of school and university closures and spikes in unemployment. Best practices include adopting hybrid learning models, building skills-based learning modules, funding continuous learning courses, and creating virtual resource centers. A "next practice" could include making the world's top teachers accessible to students anywhere and focusing in-person instructional time on exercises that contribute to a holistic education. Governments and employers can also foster an effective reskilling ecosystem that includes micro-credentialing for lifelong learning.

3. Shape resilient trade and supply chains. Countries have responded to global-trade and supply-chain disruptions due to COVID-19 by protecting their own supplies. In the longer term, companies will need to adopt several next practices to make their supply chains more resilient—for example, by reducing the number of unique parts, building in redundancy across suppliers, nearshoring, and regionalizing supply chains. In addition to securing health equipment and essential food supplies, governments can help companies increase their resilience. At the same time, governments may need to consider the policy implications of remote working in the knowledge economy: as exports of highly skilled services grow, these skills will become increasingly mobile and unshackled from the location of their employers or clients.

4. Distribute effective stimulus measures. The COVID-19 crisis saw governments implement unprecedented economic responses, allocating more than $16 trillion through the end of September 2020. To support household welfare and help businesses survive the crisis, governments have used both quick-acting and innovative delivery mechanisms. Potential next practices for governments include targeting stimulus in areas that achieve the broader objectives of a more resilient society, such as expanding green energy and energy efficiency; accelerating government digitization and offering companies incentives to adopt new technologies; and shaping the workforce of the future to increase resilience in the face of rising automation.

Building more resilient governments

Three key opportunities could make government operations more resilient:

5. Deliver contactless government. The COVID-19 pandemic has made digital transformation a priority—digital channels have become more important, and citizens and customers increasingly prefer them. Examples of best practices include automating daily data collection from key operators to closely monitor and support decision making about critical food items at risk, as well as the use of "express digitization"—rapid development of automated online platforms—to cope with the substantial spike in demand for government assistance, such as for grant claims. For governments to implement technology-enabled change initiatives that address citizens' needs faster and at a lower cost than the current, manually processed approach, they need to understand the end-to-end customer journey in services, spanning both public- and private-sector touchpoints. Governments can also enable contactless transactions beyond public services by facilitating adoption of cross-cutting enablers such as digital identities.

6. Manage sovereign balance sheets with an investor mindset. Global government deficits could reach $9 trillion to $11 trillion in 2020 and as much as $30 trillion by 2023. Many countries have applied traditional debt issuance, revenue optimization, and expenditure control to address the immediate challenge, all of which can be further optimized. Over the medium term—one to three years—governments could monetize the assets on their balance sheets, a strategy that represents a largely untapped and potentially greater opportunity to raise additional revenue and reduce deficits, as worldwide public assets are worth more than 200 percent of global GDP and capable of generating revenue of 2 to 3 percent of GDP annually.

7. Institutionalize best-practice crisis response to prepare for the next crisis. The COVID-19 crisis has pushed many countries to identify and start creating the elements of an effective local outbreak response. Several governments have established crisis nerve centers, enabling coordination of multiple work streams across existing crisis-response structures in government and society for greater response efficacy and agility. An important best practice in crisis management is to establish a plan-ahead crisis unit—a cross-functional team freed from day-to-day crisis management that looks ahead and considers simulations of various scenarios. Next practices require that top management in government, supported by a resilience team, think ahead and make investments to build resilience and preparedness for future potential crises.

Revitalizing the core capabilities of the public sector

Three key opportunities could reinvigoratethe core capabilities of the public sector and the way it works:

8. Make faster, better decisions using data and analytics. Governments have acted with exceptional speed to save lives and livelihoods in the COVID-19 crisis. Several countries have quickly deployed dashboards that are constantly updated, visually rendering data to easily share statistics and give citizens greater transparency into government efforts and responses. Many organizations have assembled cross-functional teams to develop analytics solutions for faster responses to changing situations and emerging risks and issues. Next practices might include applying advanced use cases in data and analytics, such as nowcasting—forecasting the near future, present, and even the recent past using frequently measured indicators—to inform policy and decision making.

9. Cultivate smarter, more productive ways for public servants to work. The COVID-19 crisis has required public servants to improvise and adapt to a rapidly evolving situation. A series of enforced "natural experiments" has reset ideas about what is essential and what is possible. Governments have redeployed staff to respond to changing demand for services. Looking ahead, automation could strengthen public-service productivity and move significant numbers of public servants from back-office jobs into more valuable and meaningful citizen-facing roles—provided governments focus on the citizen experience and effective change management, including building the capabilities required to make the necessary changes.

10. Foster new forms of partnership with the private sector. By partnering with the private sector and multinational institutions to design and implement well-structured stimulus measures, governments could help prepare workforces for a technology-focused future and improve the long-term competitiveness and resilience of key industries. Best practices have largely been limited to mandated public requests to the private sector, with some examples of proactive partnerships and innovation to produce critical supplies and drugs and scale up the distribution of social-protection payments to households. The public sector can take partnerships with the private sector to the next level to enhance service delivery—recognizing that there is a natural intersection between the role of governments and that of companies' broader societal purpose—by clarifying its role and considering the long-term view.

Rethinking resilience: Ten priorities for governments

The COVID-19 crisis has increased the pressure on governments to serve citizens at a speed and scale not seen in peacetime. Public services and agencies are mobilizing and collaborating across agency mandates to contain the spread of the virus and save lives. Core public services are rapidly accelerating digitization. Governments are distributing record sums of money to households and businesses to safeguard livelihoods and greatly increasing deficits to fund relief and stimulus efforts.

In this massive mobilization, we observe the seeds of a wholesale reimagining of governments and their role in society. As one senior government leader told us, "We've gotten ten years of reform done in ten weeks." In many countries, yearslong efforts to digitize education delivery and medical consultations have been realized in a matter of weeks. And public–private collaboration has increased in everything from the search for a COVID-19 vaccine to the use of mobile money to distribute crisis relief to households. Public servants worldwide have adapted and innovated to respond to this unprecedented crisis.

How can government leaders ensure that their organizations translate the positive shifts prompted by the crisis into enduring reforms that result in governments better serving citizens long after the crisis is over? And how can they play a leading role in shaping more resilient societies and public services? The crisis has highlighted the intersection between public- and private-sector roles in advancing a better society; there is increasing convergence between corporate purpose and governments' socioeconomic agendas.

In this article, we highlight ten priorities to shape more resilient societies and build more resilient governments, supported by key enablers to revitalize the core capabilities of the public sector and how it works. Within each of these opportunities, we highlight best practices that have emerged or accelerated in the crisis. We also suggest several transformational next practices that leaders can embrace to reimagine

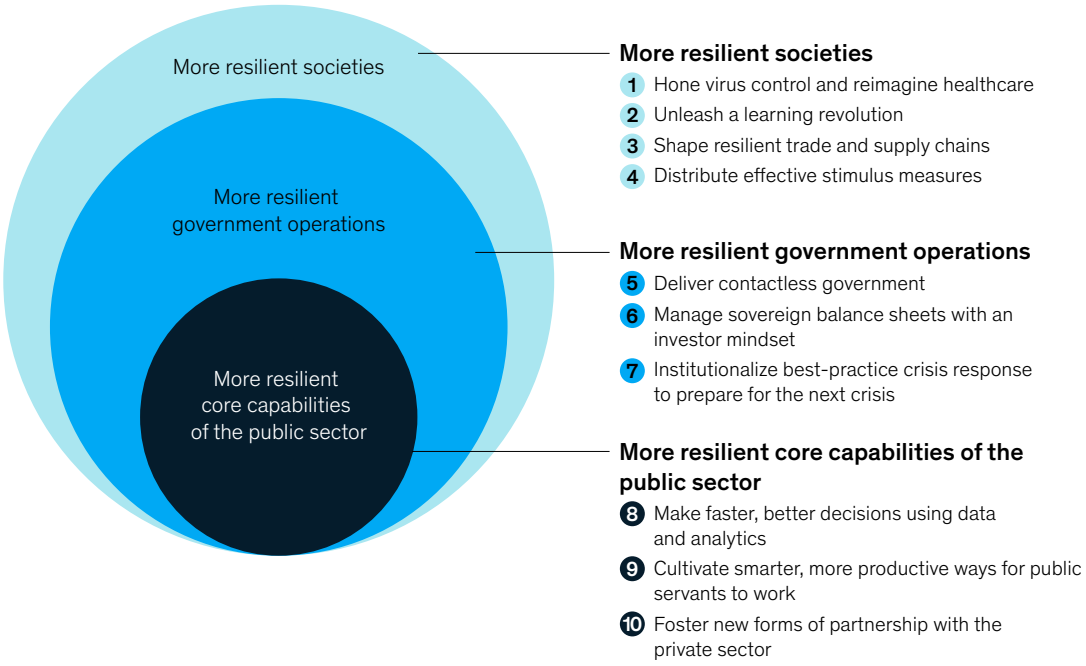
Governments are distributing record sums of money to households and businesses to safeguard livelihoods and greatly increasing deficits to fund relief and stimulus efforts.

government for the long term—showing how the disruptions and innovations of the crisis have made these longer-term reforms both more urgent and more attainable (Exhibit 1).

The ideas we present here are drawn from dozens of interviews with government leaders around the world, all of whom are closely involved in the crisis response. We also draw on McKinsey's global research across multiple sectors, reflecting on how this might be applied to government transformation.

Exhibit 1

Governments can build resilience by focusing on ten priorities.



Help shape more resilient societies		
Area	**Best practice**	**Next practice**
1. Hone virus control and reimagine healthcare	Digital usage to support containment; preparedness to accelerate supply and capacity; and recovery	Encouraging telehealth as the default initial treatment option; licensing requirements to enable innovation; flexible funding and resources models that pay for health instead of treatment
2. Unleash a learning revolution	Hybrid learning; short, modular, skill-based learning experiences; crowdsourcing to generate content; financial stimulus to encourage digital learning and support the unemployed and businesses	Holistic focus on mental health; micro-credentialing for lifelong learning; an active role for corporates in learning for their employees
3. Shape resilient trade and supply chains	Protection of own essential supplies; support for local content	Reassessment of planning and supplier network, transportation and logistics, and services complexity
4. Distribute effective stimulus measures	Quick-acting and innovative delivery mechanisms to support household welfare and help companies survive	Green energy; government digitization and support for companies adopting new technologies; shaping the workforce of the future

Exhibit 1 (continued)

Governments can build resilience by focusing on ten priorities.

Build more resilient governments		
Area	**Best practice**	**Next practice**
5. Deliver contactless government	Development of digital channels and digital services	End-to-end customer journey in services; driving adoption of cross-cutting enablers like digital IDs
6. Manage sovereign balance sheets with an investor mindset	Traditional debt issuance, revenue optimization and expenditure control	Excellence in debt issuance and management; unlocking funding potential of balance-sheet assets and enabling alternative funding solutions; optimizing revenue streams; containing expenditure
7. Institutionalize best-practice crisis response to prepare for the next crisis	Establishment of a crisis nerve center; creation of a plan-ahead crisis unit—a cross-functional team to look at simulations of various scenarios	Investments to build resilience and preparedness for future potential crises

Revitalize the core capabilities of the public sector		
Area	**Best practice**	**Next practice**
8. Make faster, better decisions using data and analytics	Deployment of real-time public dashboards	Advanced use cases using high-frequency data for policy and decision making
9. Cultivate smarter, more productive ways for public servants to work	Redeployment of staff; automation of back-office functions	Agile-at-scale operating model with cross-departmental teams; reskilling public servants for citizen-facing roles
10. Foster new forms of partnership with the private sector	Mandated public requests to private sector (eg, requiring manufacturers to shift to producing ventilators)	Innovative public–private partnerships to improve service delivery and more broadly address and enhance social contract

Shaping more resilient societies

Four key actions can help governments shape more resilient societies:

1. Honing virus control and reimagining healthcare
2. Unleashing a learning revolution
3. Shaping resilient trade and supply chains
4. Distributing effective stimulus measures

In each of these areas, we highlight the disruptions of unparalleled scale that governments are facing during the COVID-19 crisis. We shine the spotlight on the best practices that have emerged around the world as governments address the immediate crisis and seek to strengthen the resilience of systems and societies. And we suggest the next practices that decision makers could embrace as they reimagine government and society for the post-pandemic new normal.

1. Hone virus control and reimagine healthcare

The scale of the COVID-19 pandemic—measured by the number of cases and deaths, transmission rates, and geographic spread—has demanded an unprecedented response from governments. As of September 2020, the COVID-19 pandemic has infected more than 30 million people worldwide. The pandemic has affected all stakeholders in the healthcare ecosystem: emergency healthcare providers, non-acute-disease healthcare providers, patients, the insurance industry, and healthcare start-ups. The crisis has shocked health systems' operations and income statements. Healthcare workers on the front lines have shouldered tremendous burdens and are facing difficult ethical choices—such as how to allocate ventilators to patients when demand exceeds supply—as well as shortages of diagnostic supplies, personal protective equipment (PPE), and staff as demand for care has overwhelmed their hospitals.[1]

We have observed several effective crisis responses, such as using digital technology to support containment, preparation to accelerate supply of PPE and healthcare capacity to meet the surge in demand, and navigating the road to recovery.

China mobilized tens of thousands of doctors and added tens of thousands of hospital beds within weeks to assist Wuhan.[2]

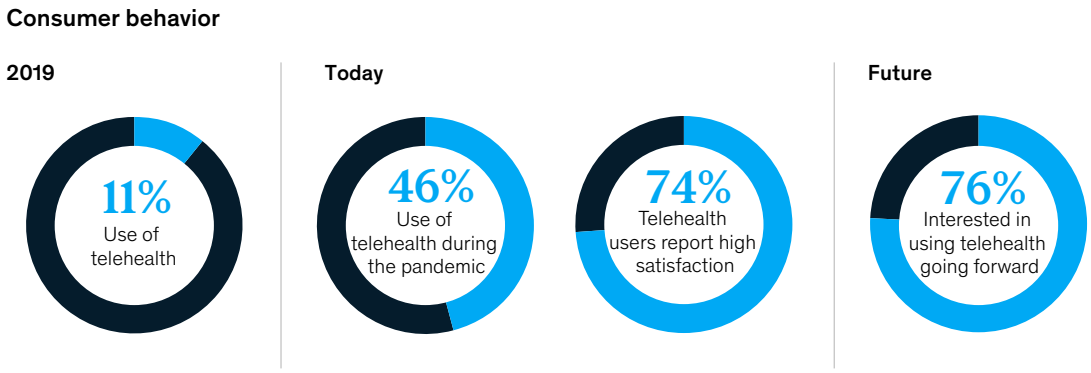
An effective testing strategy reduces the uncertainties about a nation's infection rate and is likely to be important in the new normal. Both the United Arab Emirates and Denmark have achieved very high testing per capita.[3]

In the United States, the use of telehealth has more than quadrupled during the pandemic—from 11 to 46 percent, with as much as 76 percent of consumers indicating they are interested in using telehealth going forward (Exhibit 2).[4]

New York City, for instance, used telehealth and communications campaigns to reduce the number of low-acuity patients visiting health facilities. Its NYC Health + Hospitals healthcare system also increased its ICU beds from 300 to more than 1,000 by converting flexible space such as operating rooms to add ICU capacity.[5] A possible next practice could be making telehealth the default first step for patients seeking medical assistance, with costlier in-person follow-ups being conducted only if patients have a referral

Exhibit 2

How has COVID-19 changed the outlook for telehealth?



Source: Oleg Bestsennyy, Greg Gilbert, Alex Harris, and Jennifer Rost, "Telehealth: A quarter-trillion-dollar post-COVID-19 reality?," May 2020, McKinsey.com.

from an initial virtual consultation. To help telehealth develop, governments can consider changes to licensing requirements to enable innovation and unlock potential and make virtual care services globally accessible. These offerings also require new professions and skills to access global talent pools virtually.

In addition, financial incentives in healthcare are still tied to activity and driving access to treatment rather than keeping populations healthy. There are opportunities to design funding models that pay for health rather than treatment and that shift resources from acute care to prevention and well-being, a strategy that has a much higher return on investment. For example, Discovery Health's Vitality program in New Zealand has been influencing healthy client behavior for decades and could serve as a model for a broader reimagination of the healthcare sector.

2. Unleash a learning revolution

Governments across the globe have closed schools and higher-education institutions to contain the spread of COVID-19. In April 2020, 1.5 billion children and youth—from pre-primary to university level—were affected by closures in 194 countries.[6]

To mitigate the effects of closures on US institutions of higher education, the US Congress passed an emergency coronavirus bill, which provides approximately $14 billion to help colleges and universities weather shutdowns and move to distance learning—but this sum might not be enough to sustain them through the crisis, given the closure of student housing and the need to invest in new technologies for remote learning.[7]

The COVID-19 pandemic has also had devastating effects on employment. In the United States, for example, as many as 57 million jobs—representing about one-third of the entire US workforce—are vulnerable to reduced income, furloughs, and layoffs.[8] Some of these jobs, especially in the hospitality sector, will be slow to return, while others may be lost for good.

Governments have been forced to rethink learning and education systems and to combat the effects of closures and unemployment. In the United States, more than 4,200 higher-education institutions have taken decisions in response to new requirements as a result of COVID-19.[9] Based on our observations, some best practices to address these challenges include adopting hybrid learning models and creating short, skills-based learning modules.[10] Such approaches have the potential to disrupt traditional business models in higher education and improve cost-effectiveness.

In Europe, the French government partnered with the Orange Foundation to promote remote learning by providing tablets and computers to disadvantaged students. In the Middle East, the Ministry of Education in the United Arab Emirates deployed specialized training to upskill teachers and school leaders in remote teaching and learning and the use of technology in education. And the United Kingdom has set up a centralized remote-learning infrastructure that schools can opt into, and it provided an innovative backstop measure to parents and students in the form of the Oak National Academy online classroom and resource hub. Similarly, China's Ministry of Education deployed a national cloud-based classroom to support the simultaneous remote learning of 50 million students.[11]

How might the next practice take hybrid learning beyond a stopgap and reveal new quality levels or a broader reshaping of the curriculum? A new approach might, for example, include using remote learning to make the world's top teachers accessible to students anywhere. By making some lessons accessible through tablets and laptops, in-person time could be focused more on projects, collaboration, and other exercises that enable a holistic education. Key innovations to support this in instruction might include expanding access through technology, pursuing mastery-based learning, and focusing on future-of-work skills. Meanwhile, governments might develop more-robust teacher-preparation and -development programs that use technology and coaching—in person and remotely—to augment teacher skills; in the long term, schools might consider unbundling the role of the teacher to give instructors differentiated roles related to their skills and preferences.[12]

Some governments are already moving to a next practice with a holistic focus on mental health in schools. In the United States, federal agencies are providing resources that could allow parents to assess their children's socioemotional well-being as well as their own. Singapore has appointed designated teachers responsible for calling students for a mental-health assessment and support.

Further next-practice interventions could include micro-credentialing to enable the accumulation of accredited qualifications through lifelong learning and corporations playing an active role in curriculum development to customize learning to meet their skills and knowledge requirements for employees. Governments might consider how they define standards for these learning credentials—nationally and globally—and how they would certify an individual's achievement and knowledge. To foster effective reskilling ecosystems, governments can establish end-to-end reskilling bootcamps, equip job centers to support job seekers in transition or looking to change careers, and provide a one-stop shop for information on reskilling—including skills and occupations needed in the future, a list of providers that help employees reskill, and the providers' outcomes such as job-placement rate. Governments can also support and incentivize small and medium-size enterprises (SMEs) that lack the HR capability to assess their skills gaps and undertake large-scale training.

Prior to COVID-19, freelancers, those employed by part-time staffing agencies, and gig-economy workers accounted for 20 to 30 percent of all jobs in Europe.[13] As companies are forced to adapt rapidly to the constraints imposed by the pandemic and government lockdown measures—such as remote working and furloughing nonessential workers—organizations see clearly the difference between the jobs and skills

that are part of their fixed overheads and the jobs and skills that are linked to volume. We are likely to see an acceleration toward sourcing high-value skills as needed. This new way of working will demand different kinds of skills.

3. Shape resilient trade and supply chains

Even before the pandemic, goods-producing value chains were becoming less trade-intensive. While output and trade both continue to grow in absolute terms, a smaller share is now traded across borders; thus, exports declined between 2007 and 2017—from 28.1 to 22.5 percent of gross output in goods-producing value chains.[14]

While gross trade in services in 2017 was significantly lower than global trade in goods—$5.1 trillion compared with $17.3 trillion—it has grown more than 60 percent faster over the past decade.[15] This trend is likely to accelerate as a result of remote working and the fast-tracking of digital transformation.

Whereas the largest quarterly decline in trade volumes during the global financial crisis of 2008 was approximately 5 percent, our recent study estimated that global, unconstrained trade demand could drop between 13 and 22 percent in the second and third quarters of 2020.[16] Value chains with the highest trade intensity—those highly traded relative to their output—are the most exposed to disruption.[17]

Countries have responded to COVID-19 disruptions to trade and supply chains by acting to protect their own supplies by, for example, restricting the export of essential goods and agricultural and food products, as well as supporting local products. More than 90 countries currently have restricted exports of this kind.[18] For example, China stopped exporting masks and imported 56 million masks in the first week of January due to high demand.[19]

Businesses are also focusing more on nearshoring to simplify supply chains and decentralizing their manufacturing capacity by moving it closer to the markets where products will be sold.[20] Governments are also supporting this process. France, for example, has announced a program to relocate strategic industries back home to build up domestic value chains for critical products and industries like food and pharmaceuticals.[21]

Companies and countries that want to take supply-chain resilience to the next-practice level will need to balance the demand for resilient supply chains with the inevitable cost that comes from duplication— “just in time” versus “just in case.”

Businesses are also focusing more on nearshoring to simplify supply chains and decentralizing their manufacturing capacity by moving it closer to the markets where products will be sold.

In a May 2020 McKinsey survey, as many as 93 percent of supply-chain executives indicated that they plan to take steps to make their supply chains more resilient. Interventions they are considering include building in redundancy across suppliers, nearshoring, reducing the number of unique parts, and regionalizing their supply chains (Exhibit 3).[22]

Besides safeguarding public health and ensuring food security, governments have already begun to intervene in high-value and strategic sectors, such as global innovation. But how might they develop a broader approach that enables and incentivizes businesses—particularly those at the top of the value chain—to strengthen supply-chain risk management and improve end-to-end management, minimize exposure to shocks, and respond quickly to shocks when they occur? Revisiting regional free-trade agreements could strengthen resilience through regionalization—for example, leveraging Asia's Regional Comprehensive Economic Partnership and the African Continental Free Trade Area.[23]

In addition, as the freelance economy grows and people with in-demand skills and services are increasingly accessible through technology, governments will need to consider what opportunities exist—and what policies are required—to attract and retain these individuals.

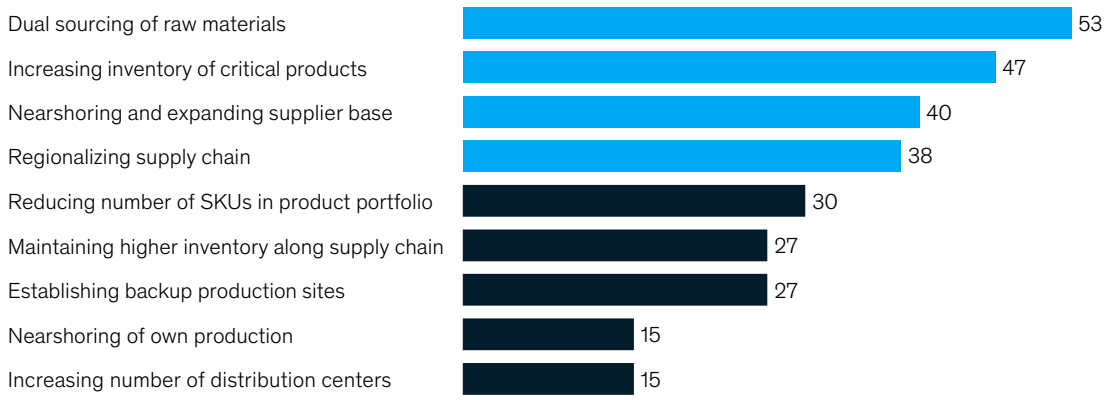
Exhibit 3

Surveyed business leaders are increasing resilience in supply chains and production through multiple strategies.

93% of global supply-chain leaders are planning to increase resilience[1]

44% would increase resilience even at expense of short-term savings[2]

Planned actions to build resilience, % of respondents[1]



[1]McKinsey survey of global supply-chain leaders, May 2020.
[2]McKinsey survey of business executives, May 2020.
Source: McKinsey survey of business executives, May 2020 (n = 605); McKinsey survey of global supply-chain leaders, May 2020 (n = 60); McKinsey Global Institute Analysis

4. Distribute effective stimulus measures

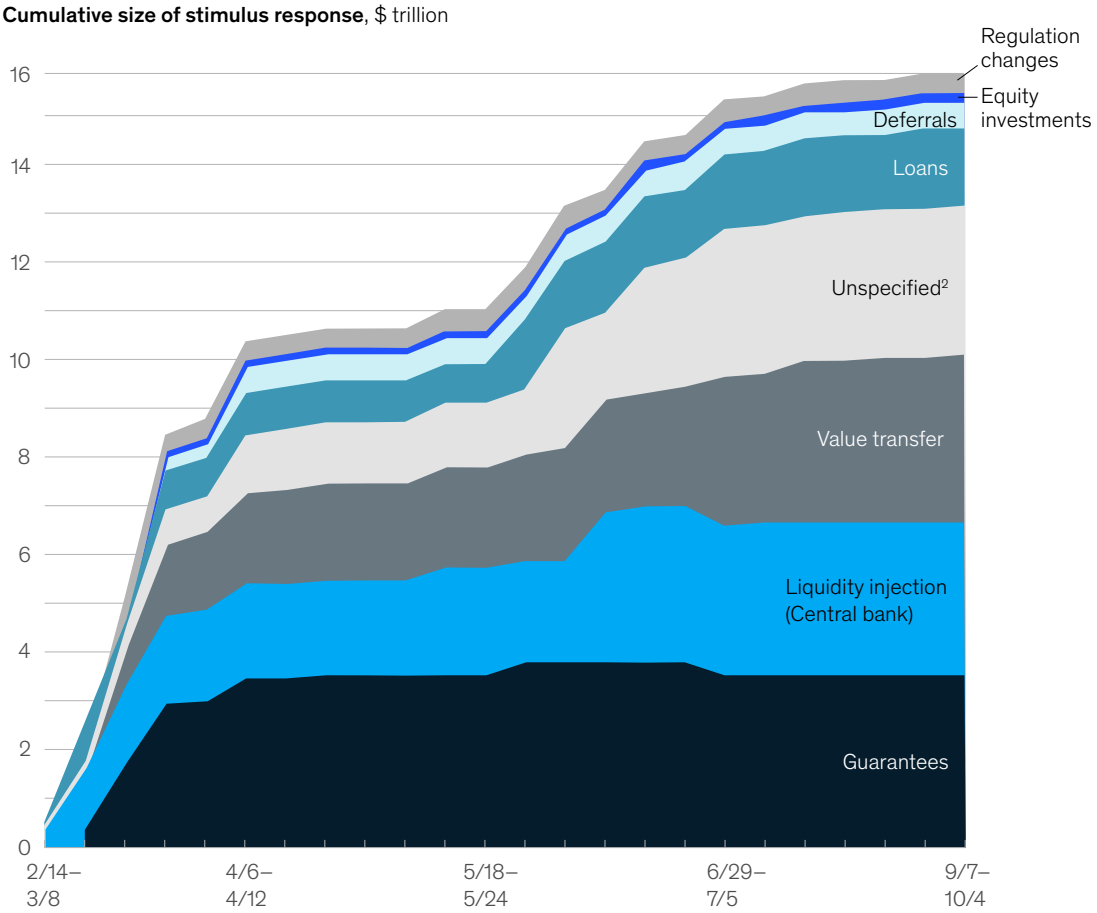
The COVID-19 crisis saw governments implement unprecedented economic responses, allocating $10 trillion through April 2020—three times more money than the response to the 2008–09 financial crisis. Western European countries alone have allocated close to $4 trillion, an amount 30 times larger than the value of the Marshall Plan in today's dollars. These government stimulus packages take different forms, including guarantees, loans, value transfers to companies and individuals, deferrals, and equity investments (Exhibit 4).[24]

Exhibit 4

Global government response to the COVID-19 crisis is in excess of $15 trillion.

Split in size of stimulus measures in countries studied, 2020, weekly[1]

Cumulative size of stimulus response, $ trillion



[1]Total number made public, collected, and analyzed, to date (across 54 countries for which information on package sizes is studied).
[2]Difference between package sizes announced and the sum of measures for which exact size is available or can be estimated.
Source: McKinsey analysis

Governments around the world have used quick-acting stimulus mechanisms, delivered in an innovative way, to support household welfare and help businesses survive the crisis. Malaysia, for instance, discounted monthly electricity bills for hotel operators, travel agencies, local airline offices, shopping malls, and convention centers and theme parks by 15 percent; France suspended water, gas, electricity, and rent bills, as well as tax and social contribution payments for small businesses heavily affected by the crisis. Indonesia deferred import taxes, relaxed the rules on value-added-tax refunds, and reduced corporate taxes by 30 percent for approved companies in 19 manufacturing sectors, and South Africa accelerated its reimbursements for employment tax incentives from biannually to monthly.

We've also observed examples of innovative delivery mechanisms across the globe. An increasing number of financial service providers in Peru are conducting government-to-person payments. In Kenya, the GiveDirectly online platform is providing digital cash transfers to low-income individuals, using geographical data to identify vulnerable groups. India has combined the use of a national online ID system, mobile-phone numbers, and certain types of financial accounts to establish a digital pipeline for transferring benefits to beneficiaries. And Germany created an online portal that allows employers to fill out detailed end-of-month time sheets to apply for short-term work compensation from the Federal Employment Agency.

However, the increase in fiscal measures has come with an increase in fraud, demanding a response from governments and multinational institutions. The Organisation for Economic Co-operation and Development (OECD), for example, has published policy guidelines with examples of imminent fraud threats and principles for effective fraud control, with a particular emphasis on low-burden controls.[25]

Over the medium to longer term, governments can focus on several next practices to increase resilience post-pandemic, including directing stimulus to areas that achieve the broader objectives of a more resilient society—such as investing in green energy and incentivizing companies to improve energy efficiency, which can produce significant economic and environmental benefits.[26] Other areas to focus on include accelerating government digitization and supporting companies to adopt or develop new technologies and shaping the workforce of the future, which requires upskilling the labor force to increase resilience in the face of rising automation.

Building more resilient governments

Three key opportunities could make government operations more resilient:

5. Delivering contactless government services
6. Managing sovereign balance sheets with an investor mindset
7. Institutionalizing best-practice crisis response to prepare for the next crisis

5. Deliver contactless government services

The COVID-19 pandemic has made digital channels more important as consumers increasingly prefer them—which means digital transformation is a particular priority for governments. In development of digital channels and services, several examples stand out. In one North African country, the government made use of digital tools when building an ambitious response plan to the crisis. It automated the daily data collection from key operators, generating a dashboard on a digital platform to closely monitor critical food items at risk of running out and to support leaders' decision making to ensure food security.

Germany has been using "express digitization," which is a digital form of emergency response to create citizen-friendly and pragmatic digital services within a few weeks. This approach has helped the government cope with the substantial spike in demand, such as the increase in claims for a quarantine-compensation grant which increased a hundredfold by June 2020, compared with previous years.

Governments now have a significant opportunity to accelerate digitization and support companies in adopting new technologies. By 2030, adoption of digital technology will likely increase from 37 percent to 66 percent across all sectors.[27] These increases are based on the anticipated shift to a contactless economy. Already, consumers report a 20 percent increase in preference for contactless operations in the United States; as a result, services and sectors such as payment, retail, food, accommodation, education, and health have had to adapt quickly.[28]

How can governments put themselves on the path to a next practice of building services that not only anticipate the needs of citizens but also respect data-privacy requirements? Countries can start by making use of technology-enabled change initiatives to create outcomes that respond to the priorities of citizens faster and at a lower cost than in-person services. This approach requires a focus on the citizen experience to understand the end-to-end customer journey in services, spanning both public- and private-sector touchpoints.[29] Governments can also play an important role in enabling contactless transactions beyond public services by driving adoption of cross-cutting enablers such as digital identities. For example, by investing in a nationwide digital database, governments can accelerate fully digitized transactions in sectors such as financial services and support know-your-customer requirements in other sectors.

6. Manage sovereign balance sheets with an investor mindset

Global government deficits could reach $9 trillion to $11 trillion in 2020 and as much as $30 trillion by 2023. This is a result of the massive increases in relief and stimulus spending—which is up to three times greater than after the 2008–09 financial crisis—and reductions in tax revenues of $3 trillion to $4 trillion between 2019 and 2020 alone.[30]

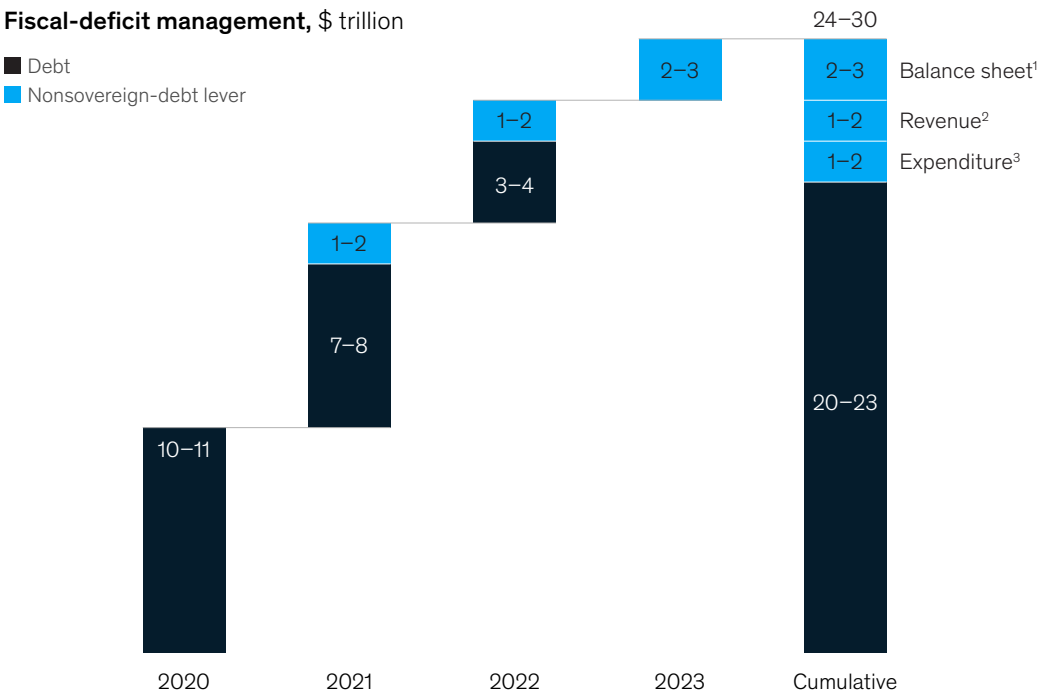
Raising more debt is the first port of call to fund these rising deficits, and many countries have applied traditional debt issuance, revenue optimization, and expenditure control.

However, rising debt levels could make governments less resilient. Over the medium term, governments will need to demonstrate their fiscal sustainability and capacity to generate sustainable economic growth with a credible debt story, as well as achieve excellence in debt issuance by building capabilities and optimizing the cost-to-risk ratios of their debt portfolios.[31] They can also optimize revenue streams—including, for example, accelerating digitization of tax collection—and contain expenditure by reallocating budgets to the highest priorities, improving procurement, and reducing fraud.

Meanwhile, making governments' balance sheets transparent can unlock the value of their assets and represents a largely untapped and potentially greater opportunity. We estimate that worldwide public assets are worth more than 200 percent of global GDP—with real estate alone valued at about 100 percent—and by adopting an investor mindset, partnering with the private sector to unlock value, and monetizing the assets on their balance sheets, governments could raise 2 to 3 percent of GDP annually to raise additional cash resources. This strategy requires governments to capture value by reviewing the value and returns of their real estate holdings, state-owned enterprise (SOE) investments, and other assets (Exhibit 5).[32]

Exhibit 5

Governments can ramp up debt and nondebt levers to bridge the fiscal gap.



[1]Monetized assets to amount to recurring value of 3–5% of GDP.
[2]Revenues optimization to amount to 2–4% of total revenues through improved collection, resulting in 1–2% of GDP impact.
[3]Expenditure-review savings to amount to 4–5% of addressable spend (expected to be 50% for Organisation for Economic Co-operation and Development countries), resulting in 1–2% of GDP impact.
Source: Center for Strategic and International Studies; International Monetary Fund (IMF) 2020 Fiscal Monitor, Chapter 1; IMF World Economic Outlook; Organisation for Economic Co-operation and Development; World Bank; McKinsey analysis

In addition to increasing the potential value of government holdings, reviewing their value and returns also enables alternative funding solutions, such as collateralizing sovereign assets to raise more debt, using nonrecourse lending solutions like public–private partnerships to finance capital expenditure, and exploiting or selling nonstrategic assets.

New Zealand raised its credit rating to AA+ and reduced the cost of servicing its debt by adopting a transparent balance sheet, which has now reached a net value of 45 percent of GDP. Similarly, Singapore created an active holding company to maximize the return on equity of national commercial assets, which contributed about $3 billion to the country's annual budget.

7. Institutionalize best-practice crisis response to prepare for the next crisis

The COVID-19 crisis has enabled many countries—notably, some in Africa and other emerging-market regions—to identify and start creating the elements of effective local outbreak responses. Governments and regional institutions can prepare for future outbreaks by institutionalizing emergency operation centers, lab networks, disease-surveillance systems, and emergency supply chains.[33] Denmark is establishing a new government agency under the Ministry of Justice to prepare for future epidemics or another wave of the coronavirus. The agency will be responsible for testing and testing facilities, epidemic-related infrastructure, cooperation between private and public sectors, and the supply and storage of sufficient protective equipment.[34] A number of governments have demonstrated best practices by establishing crisis nerve centers—highly agile, coordinated bodies that bring together crucial organizational skills and capabilities. Such centers coordinate multiple fast-moving and interconnected work streams across existing crisis-response structures in government and across society. The COVID-19 crisis has exhibited all three characteristics that make a nerve center an appropriate intervention: the crisis has dramatically disrupted regular activities and overwhelmed, or threatened to overwhelm, existing resources; it is unlike anything current governments have faced before, making pattern recognition extremely difficult; and it has manifested extremely quickly, leaving organizations with insufficient time to understand and interpret the threats using traditional approaches.[35]

Nerve centers can increase response efficacy by coordinating and adjusting activities based on real capabilities—as opposed to formal roles and responsibilities—and providing a mechanism to balance important and urgent tasks. They can also increase the quality of information flow by coordinating multiple efforts through a central source of data collection and analysis and help rapidly assemble cross-functional teams for greater agility in responses.

A key best practice in crisis management is to establish a plan-ahead crisis unit—a cross-functional team that is freed up from day-to-day crisis management to look ahead and consider simulations of various scenarios. This strategic forecasting can strengthen governments' analyses of options to optimize the impact of their crisis response. Next practices require thinking ahead and making investments to build resilience and preparedness to respond rapidly to future potential crises. This includes expanding the role of chief scientist across the government.

Revitalizing the core capabilities of the public sector

Three key opportunities can reinvigorate the core capabilities of the public sector and the way it works:

8. Faster, better decision making using data and analytics
9. Cultivating smarter, more productive ways for public servants to work
10. Fostering new forms of partnership with the private sector

8. Make faster, better decisions using data and analytics

Governments have acted with exceptional speed to respond to the COVID-19 crisis, with both the implementation of lockdowns and measures to save lives and the approval of fiscal relief measures. More than 100 countries worldwide had instituted either a full or partial lockdown by the end of March 2020, affecting billions of people.[36]

Historically, countries have used ex post facto analysis of macroeconomic indicators to analyze trends and inform decisions complemented by surveys and polling to test reactions to policies. But, in 2020, governments were forced to make a series of decisions in a short period of time—with limited information—compared with prior crises. Several countries have quickly deployed dashboards that are constantly updated with the latest data. These dashboards visually render data to easily disseminate statistics. They also provide more in-depth data to give citizens a fuller view into government efforts and responses to the crisis.

For example, the Centers for Disease Control and Prevention (CDC) in the United States created a dashboard that offers an "at a glance" summary of COVID-19 infection rates and state testing, as well as links to other helpful pages. Hong Kong's dashboard provides in-depth Hong Kong-specific information, such as where patients live and the number of people hospitalized. The dashboard created by the UK government offers heat maps of cases and an overview of essential data, while presenting in-depth statistics—updated daily—in graphs.

Prior to the crisis, our research showed that organizations scaling artificial intelligence (AI) more broadly and realizing higher returns from it were much more likely than others to convene cross-functional teams to solve business problems—62 percent compared with 23 percent.[37] During the crisis, however, we observed many organizations—regardless of analytics maturity—automatically forming cross-functional crisis-response teams to develop analytics solutions for faster responses.

Governments have acted faster than ever before to respond to the COVID-19 crisis, both with the implementation of lockdowns and measures to save lives and the approval of fiscal relief measures.

Next practices for decision making might include applying advanced use cases in data and analytics to policy making. For example, building the public sector's capabilities to use nowcasting—applying high-frequency data to forecast the very near future, present, and even the recent past, and act proactively in the pandemic response—is a critical next step in strengthening decision making. In particular, building the capabilities in public health and centers for disease control to process and analyze high-frequency data could further enable governments to act proactively in real time. By identifying the inflection in a region's infection curve, for example, public health officials can anticipate the peak and make a call on whether to scale up or scale back surge capacity in an area.

9. Cultivate smarter, more productive ways for public servants to work

The COVID-19 crisis has forced governments to deal with fighting the spread of the virus while simultaneously managing the socioeconomic fallout that accompanied it—a situation that requires public servants to improvise and adapt to rapidly evolving situations.[38]

The crisis has provided governments with a series of enforced "natural experiments," which have reset ideas about what is essential and what is possible. Adopting agile processes is a key enabler to combine organizational stability with dynamism, by merging clarity of purpose and a standardized way of working with flexible resource allocation and increased information transparency.[39] Some governments have applied this philosophy to the reallocation of resources to meet new demands—from Australia's tax authority to its benefits agency, and from the Abu Dhabi airport call center to the health call center.

Automation could present an important opportunity to strengthen the productivity of public services and move significant numbers of public servants who currently perform back-office administrative tasks into more valuable and meaningful citizen-facing roles. A 2017 McKinsey Global Institute study found that as many as 39 percent of administrative jobs could potentially be automated, including many public-administration roles.[40]

To seize the opportunities and establish more-productive ways of working, governments could implement an agile-at-scale operating model with interdepartmental teams collaborating to provide shared value to citizens. Implementing automation requires a focus on the citizen experience to understand the end-to-end customer journey in services in addition to what matters most to customers—simplicity, reliability, and consistency—as well as an early and deep investment in change management.[41] Key considerations include the types of skills available to governments among their public servants and which skills will need to be developed to move people out of the back office and into citizen-facing roles.

10. Foster new forms of partnership with the private sector

Relief and stimulus-package spending is likely to rise as governments move from providing immediate support to households and businesses toward fostering long-term economic recovery. Stimulus measures that are well structured and designed and implemented in collaboration with the private sector could help brace workforces for a technology-driven future and improve key industries' long-term competitiveness and resilience.[42]

The crisis, and governments' responses to it, are challenging economic orthodoxies, as much of the unprecedented stimulus packages are aimed at guaranteeing the survival of businesses, and some government leaders and citizens consider the idea of universal basic income (UBI) more seriously than before. Unique government measures that are testing capitalist orthodoxies fulfill one of three functions: maintain household economies, help firms survive the crisis, or maintain financial stability.

Automation could present an important opportunity to strengthen the productivity of public services and move significant numbers of public servants who currently perform back-office administrative tasks into more valuable and meaningful citizen-facing roles.

Best practices in the current crisis have largely been limited to mandated public requests made to the private sector. For example, the Defense Production Act gave the US government the power to require manufacturers to shift to producing ventilators, masks, and other PPE. The law allows the government to make guaranteed loans to help companies develop new production capabilities for goods that are relevant to a crisis. In addition, the government can acquire and install equipment in factories, including privately owned ones.[43]

In a more proactive partnership, African pharmaceutical and manufacturing companies have produced critical supplies and drugs in the midst of global shortages, disrupted supply chains, and export bans.[44]

African banks and telecom companies have also been critical partners in the massive scaling up in distribution of social protection. In South Africa, banks are the primary enabler of a $30 billion stimulus-package injection into the economy, including a $12 billion SME lending program. In Nigeria, banks established a $2.5 billion lending program to support local manufacturing and other key sectors.[45]

Joint efforts between the public and private sectors have also played an important role in China—for example, Tencent's WeChat and Alibaba's Alipay supported the Shanghai government's launch of the Suishenma health QR code to help contain the spread of the virus.[46]

Collaboration has also occurred across the private sector, with companies taking greater responsibility for keeping people employed or for redeploying labor where possible. In Australia, for example, Woolworths coordinated its supply-chain efforts—with the blessing of competition authorities—with its biggest rivals, Coles and Aldi, to ensure all Australian consumers had fair access to groceries and other essentials. The grocer also announced that, as part of its initiative to hire about 20,000 casual or part-time staff, it would offer up to 5,000 short-term roles to Quantas Group employees taking leave without pay.[47]

Multinational institutions have also become involved in partnerships, together with nongovernmental organizations. For example, COVAX is a joint initiative among governments, global health organizations,

scientists, and the private sector, as well as civil society and philanthropic organizations, to share procurement risk and ensure the equitable distribution of vaccines once they become available.[48] Such innovative public partnerships elevate collaborations with the private sector to enhance service delivery. Governments will need to decide which role they will play—regulator, funder, or active partner—to advance their social agendas. For example, the pharmaceutical industry has reduced its investment in vaccines and antibiotics over the past decade because of limited short-term returns. Critically, governments could also incentivize a longer-term view to ensure sufficient investment in research and development for the public good.

There is a natural convergence of corporate purpose and the role of governments to advance an inclusive socioeconomic agenda: ensuring long-term sustainability and profitability through a focus on people, the planet, and profits.

The COVID-19 crisis has forced governments and firms to act quickly and decisively to find new ways of working and mitigate the risks to lives and livelihoods. This shift has prompted greater collaboration with established partners and the forging of new partnerships, especially between governments and the private sector.

Within these responses to the crisis, we have seen best practices—along with the signs and seeds of next practice—on display across a range of sectors and geographies. Governments have proved to themselves and to others that they can adapt and innovate to address a major crisis.

Now is the time to shape more resilient societies and build more resilient governments, supported by revitalization of the core capabilities of the public sector. Seizing this opportunity requires fundamentally rethinking how governments work, which involves three elements:

- **New processes**, skill sets, and ways of managing and delivering work
- **New technology and analytics**—all the innovations we've seen have been enabled by new technology or new approaches to data
- **New ways of thinking** about the broader ecosystem and stakeholders in and around governments—partnering and collaborating with the private and nongovernmental sectors to jointly solve societal problems

There is a historic opportunity to build on the progress made in the short months of dealing with the pandemic—and to deepen the convergence of corporate purpose and the public sector's focus on broader societal wellbeing.

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