

« Global Government Finance Summit »

22 & 23 october 2020

Ladies and gentlemen,

It is a pleasure to be part of this Global Government Finance Summit.

As we know, the current crisis, which was sanitary in the beginning, is one of the worst peacetime recessions in history. The Covid-19 pandemic is affecting societies and economies all over the world.

But I will argue that the economic aftershock is not merely a consequence of the epidemiological situation.

I would simply like to point out that this crisis has, in fact, unveiled the failure and oversight of political and public sector governance systems and paradigms.

The policies are more and more disconnected from reality.

Thus, they can no longer adequately respond to, nor anticipate the major challenges of today's societies.

At this particular time and under the pressure of the street, reallocating public resources can easily be done.

We have to find out the way to do it without worsening the budget deficit or mortgaging the future of coming generations with public debt.

We need more than ever to strengthen health and education.

The political world is governed by an electoral logic. It is a world whose time horizon is the mandate.

The focus is more on the short term spending and campaign launching than on the effectiveness and efficiency in the mid and long-term.

Prevention and preparedness are not the usual politician's behaviour.

The shock wave of this crisis has revealed big health system deficits in many countries, even the most developed.

We have come to realize that nothing can work if human beings are deprived of health and that the economic growth is truly dependant on it.

However, major public health decisions and reforms must be made at the “top of the economic cycles”.

Unfortunately, during crises we can only witness the extent of the damage and tackle the most urgent issues.

The real work must begin at an earlier stage: continuous investments in medical infrastructure and equipment, vaccination campaigns, medical monitoring and access for all, balanced diets, school prevention programs, taxation of unhealthy goods and services (tobacco, alcohol, junk food, soda beverages and polluting activities) etc.

Just like for health, investing in education is the best way to increase the productive capacity and the civic consciousness of the population.

It also means developing elites who will legislate tomorrow and govern the country or run businesses and pay taxes.

The way we spend public money today shapes our future and the world we will live in tomorrow. Education spending has probably the best return on investment a nation can get.

It is time, now, for reallocating budget resources from lobbies in favour of the whole society and nation.

There is sufficient evidence and consensus to start reallocating resources to the social sectors than economic issues only. We need to review the rational and the drivers of Public Sector policies and impact.

History has shown that during great shocks, great crises, all eyes turn to the state.

The facts have shown that where all other stakeholders fail or shirk their responsibilities, it is up to the state, at the end, to repair, protect, and pay the bills...

In the scarce resources periods, the State is reduced to seek voluntary contributions or, worse, to get into debt.

This should bring us target the real priorities.

Upstream, we need, of course, to rationalise spending because as the saying goes “Savings is the prerequisite of investment”¹.

More and above all, we must ensure that investments are made in a timely manner, which is “the top of the cycle” as I already mentioned, and on a fair basis that respects the contribution capacities of each citizen.

When it comes to taxation for example, a main stream of budget resources, it is the universality of taxation that creates regularity and solidarity.

All stakeholders must be aware that in order to preserve their assets, whatever they may be, and to preserve stability, democracy, jobs,... etc. all have to contribute proportionally to their stakes and in solidarity of the most needy.

We need to develop a collective awareness, where social responsibility is integrated into businesses, politics and society as a whole.

The accrued resources from a tax collection scheme that has both a wider base and a more equitable contribution, serves a double purpose:

On the one hand it lessens social tensions and the perception that citizens or groups have towards each other.

On the other hand it provides more resources for immediate use in social sectors today in anticipation of tomorrow’s needs.

This allows a proactive risk management strategy of social demands and tensions. Governments can use it as a flexible cushion in whatever direction imminent shocks might be coming from.

One of the main lessons from the Covid-19 pandemic is the fundamental role of the digital.

The future of education lies in e-learning and in educators that develop the methodology and knowledge transmission that goes with it.

Digital services have proven to be an essential component of the sanitary crisis resolution and of the public sector as a whole.

¹ Campbell McConnell, Economics

In many organisations, employees have worked fully remotely and have been agile to respond to some extent.

Administrations and public sector services have resorted to digital technologies for continuity of service towards citizens as well as corporations.

At the same time, digital financial services have allowed governments to disburse funds to those in need quickly and effectively; and allowed many firms to rapidly access online payments and financing.

So we have to refocus and accelerate digital investments to enhance transparency, accountability, and governance.

Massive allocation of public finance resources to digital transformation is a necessary investment today in the lifeline of tomorrow.

Finally, as a civil servant, I cannot conclude without a last word on the economic impact of the pandemic and the fallouts of lockdowns and business restrictions.

Without making any judgment on the relevance of the policy choices that have been made, the resource allocation play today a main role in lessening the hardships in society.

Even it is the end of my presentation, I still have some questions:

Is it possible to reduce the public sector operational budgets in order to increase Capex in job creating sectors?

Can we close all the legal loopholes in the accounting and taxation systems that allow corporations to avoid the intended fair contribution that all should make?

Can FTAs be reviewed in the light of national priorities and social peace?

Do we need to continue year after year, establishing public sector budgets based on the past year and the “due” increase ?

Don't we need to establish it on say GINI Index or UN Human Development Index or OECD Better Life Index ?

Shouldn't we lean on specific sector centric KPIs or at least on budgetary execution rate basis ?

These are some of the questions I would like you to think about and I urge all governments to consider.

I also suggest that governments consider the Budget Law for the next year as a milestone to be remembered.

A milestone that will mark the shift from “homo economicus” to what I would call “homo humanitus”.

A milestone, where the basis for economic and budgetary decisions will be inequalities reduction and social well-being as much as business development and economic growth.

Maybe, as Albert Camus was quoted to say “**Real generosity towards the future lies in giving all to the present.**”²

Thank you.

² Albert Camus, Notebooks 1935-1942