

COVID-19 REINVENTING OUR GOVERNANCE AND OPERATING MODELS THE TURNING POINT FOR CANADA AND QUEBEC?

EXECUTIVE SUMMARY

ALAIN DUDOIT

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Burgundy report

We are in the early stages of a cascading series of crises, with repercussions around the world. The COVID-19 pandemic is not only a global medical and economic emergency. It is perhaps a critical starting point for the current global system of political and economic cooperation. Major crises are usually trend accelerators, and this one will be no exception.

The magnitude of this crisis cannot be overestimated in the Canadian context. It is an urgent wake-up call. The severity of this pandemic forces us not only to adapt, but also to reinvent the way our institutions function. It also compels us to adopt a new way of thinking and managing public and private organizations, as well as our ways of working together. We cannot rule out the likelihood of an economic depression. In such circumstances, it is prudent to prepare Canada for a fundamental and lasting disruption

In this new context, Governments in Canada need to reinvent their governance and operating models by instituting agility and become instruments of adaptation just as they are the architects and implementers of public policies and programs. The initiatives and measures required to reset the Canadian economy will be more important than the coronavirus crisis itself: they will determine the prosperity and quality of life of future generations. **Innovation must be the key to managing the current health crisis and adapting to the "new normal"**.

To be effective, Canada's response cannot be fragmented. It must be integrated and coherent, it must also be agile and focused on results. The roadmap recommended by the [Economic Strategy Tables](#) in 2018 and the policy instruments deployed since, are still valid. However, they must be adapted to the circumstances and the urgency to act and produce results commensurate with this major crisis and its considerable impact on the Canadian economy. The leadership role to be assumed by public authorities is fundamental: public expectations in this regard are very high, as illustrated by [Edelman's Spring Update](#)¹: Trust and the COVID-19 Pandemic in Canada.

The [Industry Strategy Council](#) announced on May 8 by the Minister of Innovation, Science and Industry, the Honourable Navdeep Bains, is in the organization phase. According to the press release², this council will play an advisory role and will look at the impact of the COVID-19 pandemic on industries. It will help the government take stock of pressures affecting specific sectors and provide economic policy recommendations to the appropriate federal ministers. This additional advisory body will build on the strong foundation already established by the Sectoral Economic Strategy Tables (see graph 1 end of summary).

The title of this new advisory board is intriguing: it focuses on post-COVID19 "industrial strategy". The question remains open as to the scope of its mandate:

- Will it confirm the traditional "business as usual" consultation scenario? Or
- Will it be equipped to take on the critical role of accelerating the transformation required by this major crisis and catalyzing the necessary reinvention of our models of governance, operations, and collaboration?

The credibility and impact of this consultative council will depend not only on the nature of its mandate, but also on its autonomy of action, the independence of its expertise and the transparency of its activities.

Canada has fallen behind our main partners in the deployment of data and artificial intelligence (or more precisely augmented intelligence) strategies within the federal government and in most other jurisdictions across the country. In this regard, the lack of an integrated national strategy is the missing transformative link in the Government of Canada's chain of policy and programs delivery instruments.

¹ This special Edelman Canada Trust Barometer report was discussed during a launch panel on May 12, 2020.:
To see video please [click here](#).

² [Minister Bains announces new Industry Strategy Council](#)

As outlined in this report, the proposed roadmap towards the post COVID-19 "new normal" and the national recovery effort through innovation will not achieve its full impact without accelerating and deepening the implementation of the Canadian Free Trade Agreement. The necessary federal-provincial undertaking to create a modern and efficient single market in Canada should continue through the joint priority implementation of the announced strategies to modernize the infrastructures supporting the national transportation system. The proposed strategic intergovernmental task force on internal market should be twinned with the complementary task force on smart supply chains and international trade.

The economic consequences of the "[Great Lockdown](#)", as the IMF calls it in reference to the Great Economic Depression of 1929, will spare no country. This is the case of "*Canada which entered this crisis with poor fundamentals. Consumer savings were low, and debt-to-income spiked to an all-time-high 180%, helping to fund a cross-country housing bubble. Investment and trade were faltering, related to uncertainty in future global trade rules, the U.S.-China trade dispute and Brexit. Our higher trade-dependence made us especially vulnerable to the virus-related stoppage of large portions of international trade. And the ravages inflicted on the oil industry have devastated a key Canadian GDP machine*" Source: [Global economic outlook a bottomless pit? Spring 2020](#) - Export Development Canada.

Should we consider a "modest" recovery plan in anticipation of an economic rebound by the end of 2020/early 2021 or prepare a "Marshall Plan" to deal with a long period of "reconstruction"? Indicators measuring global economic uncertainty reached unprecedented levels during the pandemic. We must prepare for the worst and hope for the best!

Were we adequately prepared? What is the nature and scope of this dual health and socio-economic crisis? What will be the impact? What are the necessary public policy responses? This report addresses these questions in four distinct parts:

1. The nature of the crisis
 - supported by a backgrounder in annex I
2. The necessity to reinvent our governance and operational models
3. The foundations of the recovery plan through innovation
 - supported by relevant extracts from the [Health](#) and [Digital](#) economic strategies tables reports
4. The five proposed cross-sectoral strategic initiatives based on a new governance and operating framework.

Note: the full report (French and English versions) is available on [CIRANO website](#).

This report seeks to contribute to the ongoing consideration of the most effective management models for Canada's response to the COVID-19 pandemic and moving forward to the "new normal".

The magnitude of the economic recovery challenge facing Canada requires a systemic response at the centre of which is the transformation of our traditional governance, operating and collaboration models. This transformation should be supported by the five proposed cross-cutting strategic taskforces within which the current sectoral economic strategies tables and innovation superclusters need to be consolidated. We have no other strategic choice than to:

- Mobilize the necessary public and private resources and multidisciplinary scientific expertise for the development and implementation of the envisaged recovery plan.
- Reinvent the functioning of our institutions and adopting a new way of thinking and managing public and private organizations, including the management of the intergovernmental system in Canada
- Adopt an integrated and coherent response - it must also be agile and results-oriented.

The proposed roadmap builds on recent government strategies and resources budgeted in their support. It advocates to assess their impact so far and upgrade or adapt them as appropriate to accelerate implementation of the relevant initiatives through an integrated set of strategic taskforces with enhanced mandates and resources commensurate with the challenges facing Canada. To this end, the "complacent" mode of collaboration must give way to a national crisis management mode and a national recovery plan (modern Marshall Plan).

The necessary transformation should be supported by five proposed cross-cutting strategic taskforces within which the current nine sectoral economic strategies tables and five innovation superclusters need to be consolidated (see Graph 2). The unifying theme of each taskforce is fully consistent with the systemic priorities shared by the governments of Canada, Quebec, and other provinces:

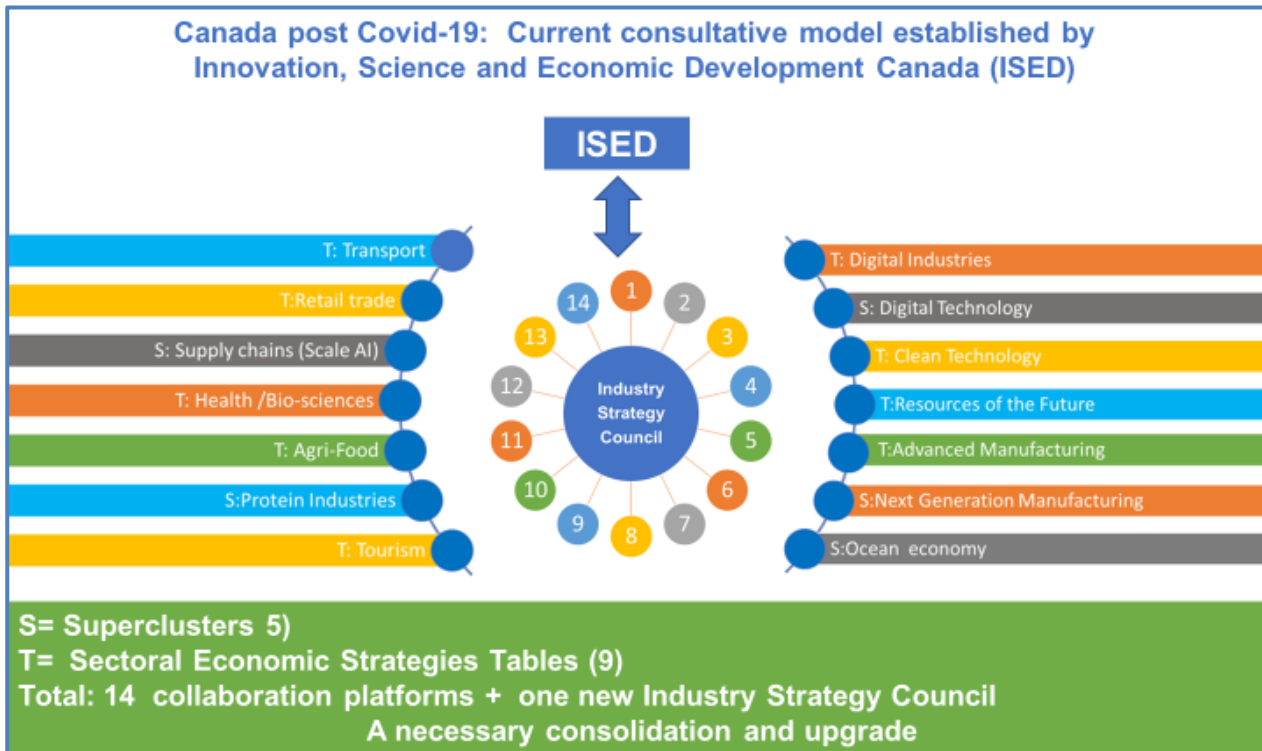
1. Public health
2. Digital technology and augmented intelligence (AI)
3. Smart and sustainable supply chains- modernized national intermodal transport network
4. Single internal market
5. International trade post Covid-19 and the [rise of intangibles](#)

The proposed Public health strategic taskforce should give priority to the necessary and urgent major investments required to upgrade not only this vital sector as such but also as a determinant of the resilience of our economy and society.

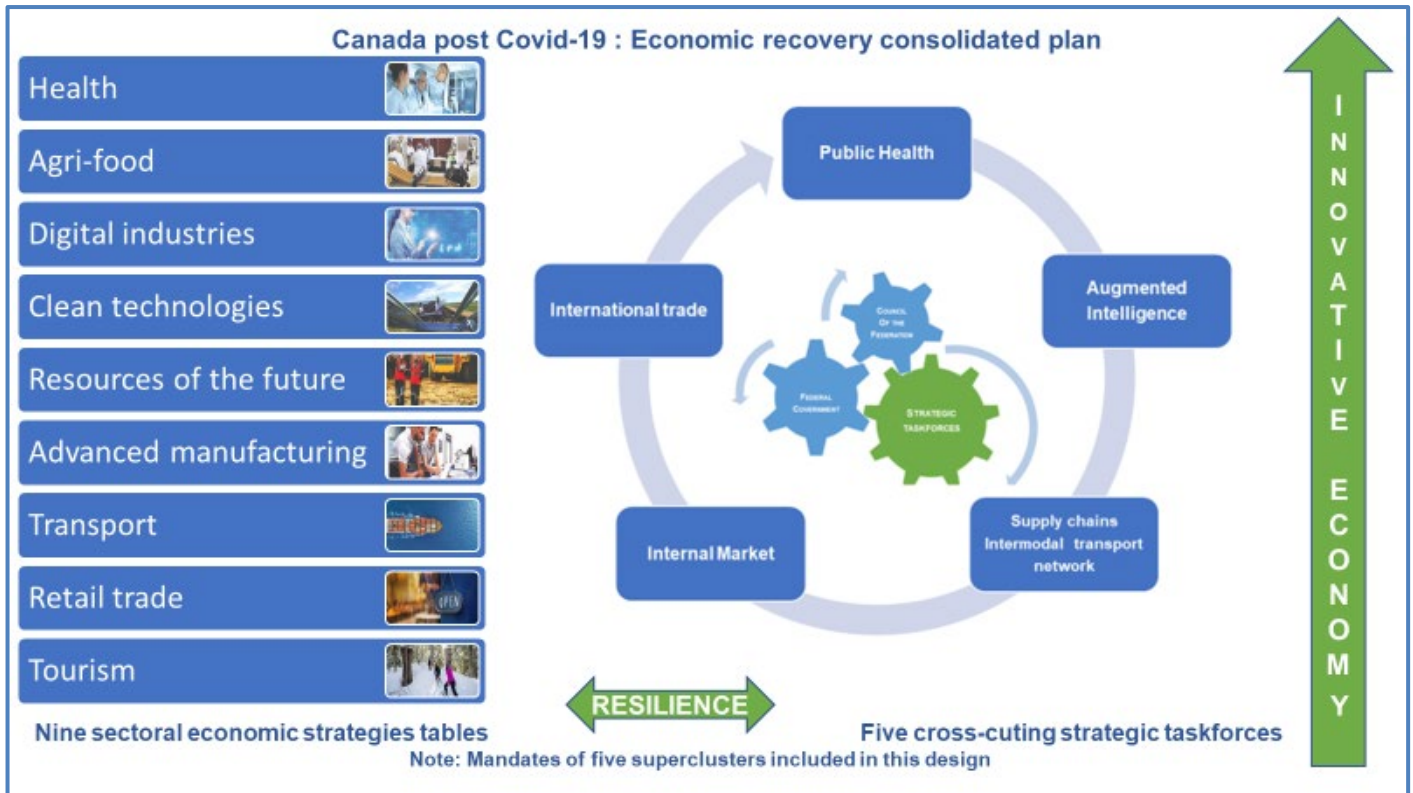
This strategic approach emphasizes critical issues common to all sectors of the Canadian economy in the post Covid-19 period and promotes fundamentals of public policies in Canada.

The proposed model of governance and coordination of the strategic taskforces (see graph 3) does not call into question the responsibilities of the different jurisdictions or the autonomy of the different stakeholders. Its sole objective is to promote a joint, effective, and inclusive management of the development and implementation of the intended recovery plan.

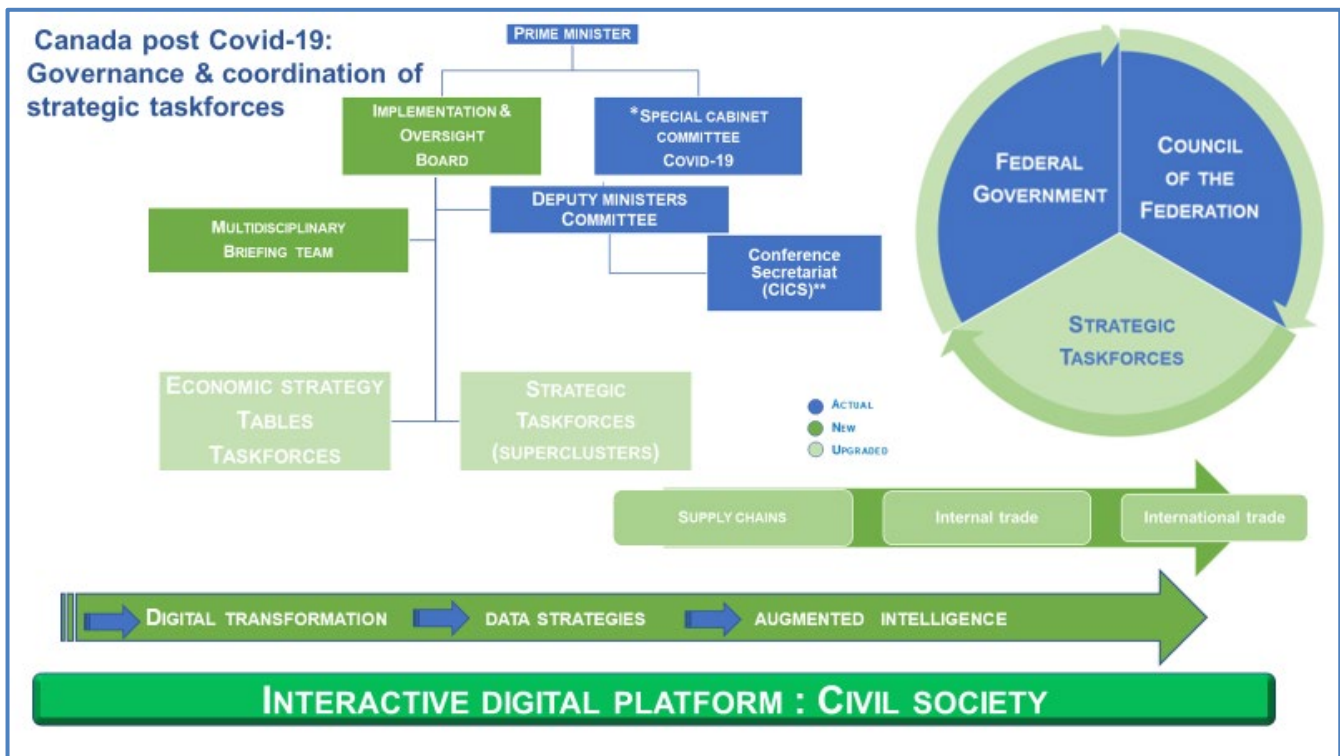
Graph 1:



Graph 2:



Graph 3



Friday, June 19, 2020