

# ECA RESEARCH NOTES

Office of the Chief Economist

EUROPE AND CENTRAL ASIA

Governance in the Post-COVID-19 World  
September 2020



Hi Everyone,

Hope you had a restful summer. Over the last months we have been busy preparing to launch our Fall 2020 ECA Economic Update which will include a feature chapter on COVID-19 and Human Capital. As we all continue to cope with COVID-19, it is all the more important for countries to invest in their people to ensure they are healthy and educated and continue to be productive members of their societies. As you know global Human Capital Index was released earlier this month. Our update will go beyond survival and basic education and look at where countries in our region stand in terms of quality and attainment of higher education and health risk factors such as smoking,

heavy drinking and obesity. We will also discuss the ways in which the pandemic is likely affect human capital, and policy options to improve health and education in the region. Look for more information about this early next month.

Jointly with the Middle East and North Africa Chief Economists Office and our colleagues from research group, we are also working on a study on Migration and Human Capital in the Mediterranean. It picks up where our Fall 2019 Economic Update on Migration and Brain Drain left and explores labor mobility across the region, paying special attention to the potential implications and right policy responses to COVID-19.

Finally, this month, we are focusing on the topic of Governance. Many of the social and political impacts of the COVID-19 crisis are yet to be seen, but we know it is changing the relationship between government and society. It is important to consider the relationship between the state and its citizens and to ensure we are learning the right lessons from the interventions taking place during this time. This will also be the feature topic we will cover in our Spring 2021 Economic Update. We had an interesting ECA Talk on this recently, and I am also including a round-up of research on this topic below.

It will be a busy Fall! We delayed the deadline for ECA Academy submissions to end October to give all of you more time to finalize your papers, so don't forget to submit your research.

Happy Reading!

Asli



*Mobility in the Mediterranean: Migration, Forced Displacement, and Human Capital event.*



Clockwise from upper left corner: Daron Acemoglu, Asli Demirgüç-Kunt, Stuti Khemani, Roby Senderowitsch

## What to expect from the post-COVID state?

The social, economic, and political consequences of the COVID-19 crisis will go far beyond what we have already experienced, as many societies around the world witness a new page turn in state-society relations, as well as the changing role of technology in our lives. In the recent ECA Talk, the featured speaker was professor Daron Acemoglu who discussed the issues around building a new and more expansive welfare state, undergirded not by a more powerful government but more active societal participation in politics.

[Video and event information](#)

[Presentation by Daron Acemoglu](#)

## RELATED RESEARCH



### [Hide and Protect: A Role of Global Financial Secrecy in Shaping Domestic Institutions](#)

*Gulnaz Sharafutdinova, Michael Lokshin, World Bank Policy Research Working Paper 9348 – August 2020*

Most of the research on financial secrecy has been focused on issues of tax avoidance, neglecting the problems of institutional arbitrage that go beyond taxation issues. The authors argue that discussions about corporate social responsibility in emerging economies should incorporate thinking about the potential role that businesses, and especially big corporations, could play in promoting more effective institutions at home.



### [Strengthening Public Health Systems: Policy Ideas from a Governance Perspective](#)

*Stuti Khemani, Sarang Chaudhary, Thiago Scot, World Bank Policy Research Working Paper 9220 – April 2020*

Managing the current and preventing future pandemics requires going beyond technical health policies to the political institutions that shape incentives and norms of health workers. This paper analyses the results of a survey of public health workers in Bihar, India's poorest state. The new evidence supports ideas that are addressing problems of governance and trust that have bedeviled health policymakers.



### [Do Weak Institutions Prolong Crises? On the Identification, Characteristics, and Duration of Declines During Economic Slumps](#)

*Richard Bluhm, Denis de Crombrughe, Adam Szirmai, World Bank Policy Research Working Paper 9127 – January 2020*

Analyzing prolonged contractions in output per capita in a sample of 145 countries from 1950 to 2014, the authors argue that weak political institutions predate crises, and the length and depth of economic declines are correlated with executive constraints and ethnic heterogeneity. Furthermore, there is a robust interaction between these two variables, suggesting that institutions constraining leaders are important for stabilizing growth.



### [What Determines the Size of Public Employment ? An Empirical Investigation](#)

*Santiago Herrera, Ercio Muñoz, World Bank Policy Research Working Paper 8961 – August 2019*

This paper explores the determinants of public employment across the world and finds that it is negatively associated with population size and positively associated with the income level. While a country's openness to trade has a positive relation with public employment in low- and middle-income countries, it is opposite in high-income countries. The authors find no statistical association between public and private employment, suggesting the absence of crowding-out in the employment levels.



## [Technology, Taxation, and Corruption: Evidence from the Introduction of Electronic Tax Filing](#)

*Oyebola Okunogbe, Victor Pouliquen, World Bank Policy Research Working Paper 8452 – May 2018*

Using experimental variation and data from Tajikistan firms, the study indicates that e-filing reduces compliance costs and makes the distribution of tax payments across firms more equitable. Among firms previously more likely to evade, e-filing doubles tax payments, likely by disrupting collusion with officials. Conversely, among firms less likely to have been evading, e-filing reduces tax payments, suggesting that officials had previously required them to pay more.



## [Tax Administration Practices and Firms' Perceptions of Corruption : Evidence from Europe and Central Asia](#)

*Branco Ponomarev, O. Balabushko, G. Kisunko, World Bank Policy Research Working Paper 8122 – June 2017*

Two competing conceptualizations of corruption in the literature allow viewing it either as efficient or burdensome from firms' perspective. Using data on the prevalence and nature of firms' interactions with tax authorities in 28 countries in Europe and Central Asia, this paper contributes to the evaluation of competing ideas in the literature about firms' experience of corruption in tax administration.

## BLOGS



### [Using empirical evidence to help build future governments post-coronavirus](#)

*Ravi Somani, August 25, 2020*

As we begin to ask what the future of government should look like post-COVID19, we take a look at some of the policies and adjustments that public administrations have implemented in response to the crisis and how they might inform future reform strategies.

[Read the blog »](#)



### [Can wearing a mask help prevent corruption? No, but leading by example can](#)

*Alexandra Habershon, May 29, 2020*

A recent [World Bank policy note](#) describes the risks and impacts of corruption in the context of the pandemic and provides guidance on addressing and mitigating them, both in the initial response and in the medium term. The note describes how corruption can undermine not only the effectiveness of a government's response to the health emergency but also to the ensuing crises in livelihoods and food security.

[Read the blog »](#)



### [What about public sector wage bill cuts to finance coronavirus response?](#)

*Zahid Hashain, April 6, 2020*

Governments all over the world are undertaking emergency financing measures to support their response to the COVID-19 pandemic. One question that has emerged in policy discussions is whether, and in what circumstances, reductions in the public sector wage bill, which accounts for roughly 8% of GDP and 30% of government expenditures globally, may be helpful to finance some of this emergency response. Is this a good idea, and when?

[Read the blog »](#)

## CALENDAR OF EVENTS

- **October 30, 2020:** Deadline for submissions to **2020 ECA Academy** on relevant research for the region.
- **November 18, 2020 at 10AM:** ECA Talk featuring Viral Acharya, C.V. Starr Professor of Economics at the NYU Stern School of Business, on "*Zombie Lending, Fiscal Dominance and Financial Stability - Some Implications for the Post-Pandemic World*"

Check [ECA Lectures](#) and [ECA Talks](#) to learn more about our past and future events.

The ECA Research Notes newsletter is produced by the Europe and Central Asia (ECA) Chief Economist's Office. Please send comments, suggestions, and feedback to [ECACEoffice@worldbank.org](mailto:ECACEoffice@worldbank.org).

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