there is still more to be done. “We need a bigger critical mass at the bank to help governments build their own PPP capacity, prioritize between different potential projects and turn that prioritization into a pipeline,” he says. “This, I see, as the main problem and I think we have quite a bit of work to do in the bank group to ramp up our expertise in this area.”

Enabling the environment

The Public-Private Infrastructure Advisory Facility (PPIAF), a multilateral trust housed by the WBG, is leading the change in many respects. Its purpose is to enable infrastructure investment by providing technical assistance to governments in developing countries in order to build the institutions and capacity to attract private sector participation. Its program manager is James Close, a former EY partner based in London, recently took up a new role at the WBG as Director for Climate Change.

“PPIAF operates right at the start of the infrastructure investment cycle,” says Close. “Our donors are keen for us to maximize our impact and, as a result, we’ve refocused our strategy. Now we’re seeking to work programmatically on larger-scale and longer-term assignments. We need to show this commitment to our clients to build capacity, rather than just going in, and then going out again. We’re also looking to work more in partnership. I recently returned from a visit to Tunis where I met with the African Development Bank to discuss how we might work together more coherently across the continent.”

A changing climate

Hurricane Sandy in the US and Typhoon Haiyan in the Philippines have demonstrated that the impact of climate change on infrastructure in both developed and developing countries is increasingly evident. Close, in particular, is passionate about this issue, which is perhaps not surprising, given his new role at the WBG.

“Getting to grips with climate change is a major challenge for the global community,” he says. As well as operating at the multilateral level and national level, there are opportunities to address climate change and its impact at the regional and city levels. The WBG President, Dr. Yong Kim, has announced a City Creditworthiness Program, which aims to create 300 credit-worthy cities (up from about 20 in the world at the moment). PPIAF is responsible for the City Creditworthiness Academies to support this initiative, and the latest one in Seoul, South Korea, was a great success. There is a recognition that creditworthiness needs to be accelerated in order to enable cities to invest in climate-resistant infrastructure, which is where PPPs will come in to play. Creditworthiness is closely tied to capacity building and creates the incentives for city officials to undertake the hard-edged analysis that supports the steps that cities have to make.

Cities, of course, are another factor behind infrastructure’s surge up the policy agenda. Rapidly increasing urbanization has huge implications; more than 90% of urban growth takes place in developing countries, and we see a lot of innovation there,” he says. “Often, when someone becomes a mayor, they want to really do something, as they may harbor ambitions to become their country’s next President. So they are often very dynamic and less constrained than leaders at the national level.”

Knowledge bank

A similar focus for the bank, according to Close, is the critical importance of knowledge, and the corresponding need to ramp up its resources in this area. “For us, the real enabler is around knowledge,” he says. “Knowledge will differentiate the bank in the future. It’s fair to say that the knowledge that is embedded in the bank is quite extraordinary, but finding it and extracting it can often be difficult. Knowledge has the potential to increase our impact, and to develop and implement solutions far more quickly. If we try to know everything then we’ll know nothing. For us, the challenge is to access and integrate the information and insight that will enable us to do the transformational work to which we aspire, and make a fundamental difference to the lives of our clients.”

Carter agrees, saying that knowledge is just one differentiator between the WBG and the private sector. “We have a mixed funding model and we charge fees and a small retainer, but the only way we can be retained is through a direct selection process,” he points out. “We always encourage governments to give us feedback about what we’re doing — whether this involves speeding up, getting the private sector more involved or whatever. This is something we’re keen on, as it’s an important way of making the bank work better.”

At the end of the day, though, the total sum of the WBG’s work — from infrastructure to education, finance to public administration — is bound together by the ultimate aim of ending extreme poverty by 2030. “The President, supported by the board and governors, are very clear about the eradication of extreme poverty,” says Close. “I think it’s really important to understand the links between the eradication of poverty and the activities that are under way in each specific country.”

As the clock ticks down to the deadline for the MDGs, the WBG is likely to have an even greater role to play in the coming years and, as investment needs increase, the ability of private companies to help provide new and stronger services is set to move even further up the agenda. Developing PPPs that can deploy the strengths of both the private and public sectors is clearly an important part of the solution.

We meet ... | Perfecting the partnership process

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James Close

Today, far too many people will wake up in extreme poverty, enduring a way of life far removed from their counterparts in developed countries. EY’s Rohan Malik takes a look at some of the key challenges and potential solutions that continue to echo across the developing world.
In most emerging economies, 9 out of 10 jobs are created by the private sector, which is the foundation of any thriving economy.

India and infrastructure bottlenecks in too many African countries are just a couple of examples that spring to mind. But of the many challenges that have proven borders in scope in recent years, that of job creation is perhaps the most pertinent and pressing.

Getting labor working
World economies are facing weak labor markets and non-inclusive growth, with 200 million unemployed and more than one billion people living in extreme poverty. According to the World Bank's 2013 World Development Report, around 600 million new jobs will be required over the next 15 years to support a growing workforce, mostly in Asia and SSA. And with nearly 13% of the world's youth (75 million young people) without jobs, youth unemployment has become a particular concern.

Take the Middle East and North Africa (MENA) region for example. One would think its abundant natural resources of oil and gas would serve as an ample safety net and certainly, the skyscrapers that adorn the skylines of Doha or Abu Dhabi, for example, tell a story of infinite wealth and prosperity. But a closer look at the figures uncovers a far more worrying reality. According to the UNDP, 50 million new jobs need to be created there in this decade – based on the region's current employment level of about 106 million jobs. Government and business leaders are therefore faced with the need to create 50% as much employment again this decade, which is translated into about 8.5% GDP growth. Little wonder, then, that many believe that a lack of jobs was a pivotal cause of the Arab Spring.

International development partners such as the World Bank Group, the African Development Bank and the United Nations have a critical role to play as strategic partners to governments in developing countries. It is important to note, though, that in most emerging economies, 9 out of 10 jobs are created by the private sector, which is the foundation of any thriving economy. When examining how to create the environment for businesses to grow and create jobs, access to capital, access to best practices and access to markets are all crucial. Ensuring that those who can be employed, are employed, will help prevent individuals from going into crime and creating social unrest, which can lead to political upheaval. With the creation of jobs, governments are able to dissipate social unrest by getting the unemployed into work, and the capital raised from investment can be channeled into training and education.

Securing sustainability
Entrepreneurs, meanwhile, have edged into the spotlight. Forming a crucial part of the job creation jigsaw, their contributions are highly prized by policy-makers, not least because they introduce new demand and stimulate competition – as well as creating new employment – all by acting on previously unnoticed opportunities and developing innovative products, services or processes.

Entrepreneurship is particularly vital to the future of developing countries because in the coming years, they must rebalance their economies toward greater domestic consumption, import demand and higher-value business activity. The creation of an environment in which entrepreneurship can flourish will be an important step toward achieving these objectives, as will the need to empower the next emerging economy: women. With nearly one billion expected to enter the workforce over the next decade, women are increasingly seen as the engine of the next wave of economic growth. In emerging markets in particular, women share economic resources more effectively to benefit the wider community and are receiving increased resources from international development agencies as a result.

Governments have a vital part to play in facilitating and encouraging this entrepreneurial development. Because business development is not a single-stage process, government incentive programs need to recognize the life cycle of entrepreneurial companies. The combination of multiple stages of business development, and multiple funding sources available at each stage, creates a complex group of touch points where incentives could impact the funding ecosystem. Government’s role is to stimulate that funding ecosystem and provide comprehensive support within this very complex space. In doing so, they will help make it far more likely that new businesses take root, delivering the sustainable jobs and growth so vital for accelerated development.

A tale of transformation
The African continent has borne witness to many such stories of success in recent years. According to EY’s most recent Africa attractiveness survey, which tracks levels of FDI across the continent, Africa’s rise over the past decade has been very real. Over this period, a critical mass of African economies has grown at high and sustained rates.

But although the size of the African economy has more than tripled since 2000, there remains huge potential for even more development and growth. For example, by 2035, the continent will have the world’s largest workforce, with over half of the population currently under the age of 20; the past 10 years have seen a flourishing and fast-growing south-south trade and investment flow (with over US$170 billion of trade with China alone). There is also US$2.6 trillion of revenue expected by 2020 across resources, agriculture, consumer and infrastructure, of which US$1.4 trillion will be in consumer industries alone. The rapid emergence of a middle class, already equal in size to India, also makes consumption a major driver of economic growth across the region.

And yet even here, amid significant economic, political and social reforms, democratization and ongoing improvements to the business environment, there remain challenges to overcome in order to sustain this progress and to emulate the kind of developmental path we have seen in places such as Southeast Asia over the past 30 to 40 years. A substantial deficit in physical transport infrastructure in Africa and stubbornly high levels of inefficiency of customs and border management are two examples. Countries such as Morocco, that are making substantial improvements in transport and logistics, are the ones that have implemented long-term and comprehensive reforms and investments across the transport and logistics supply chain.

Anti-bribery and corruption initiatives should be another focus for African policy-makers. Although perceptions are often that corruption is rife across Africa, the facts show that it is an issue that varies widely, with several African countries benchmarking well against other emerging markets. Nevertheless, people doing business on the continent clearly identify bribery and corruption as a key constraint. Governments therefore need not only to develop anti-bribery and anticorruption legislation but to prioritize its effective implementation as well.

Tomorrow
This, of course, is really just a snapshot of a few of the key challenges driving the activities of development professionals every day. Their work, often away from the headlines and behind the scenes, nonetheless continues to be of huge importance, and their determination to help move countries and their people forward is one shared by EY. We are not a typical development contractor operating from the sidelines. We were one of the first to set up our operations in developing countries, giving us firsthand, in-depth understanding of the local environment. Remaining long after the completion of the initial program, we have become integral to the economies of developing countries by investing heavily in the development of our practices. We focus on legacy – not just the completion of a project.

But with more than one billion people still living in destitution, and inequality on the rise in many developing countries, it is clear that the task is far from complete. As we seek to redouble our efforts, I look forward to joining you in this quest to build a better future for all.