Bridging the gap

Stockholm’s strategy
Combating poverty – Swedish style

Growth gains
Supporting small businesses in emerging markets

Destination India
Inspiring investors
I am writing this in Delhi. It’s the city where I was born and raised, a vibrant, eclectic melting pot of peoples, cultures and races. I thought I knew it well. But now, whenever I return, I am struck by how much it is changing.

The cranes that adorn the city’s skyline tell a story of economic expansion and social progress but, of course, there remains much more to do. Even in Delhi, a city that has long served as India’s political hub and as the seat of many empires, there remain huge contrasts. The spacious avenues and vibrancy of New Delhi, for example, is another world from the poverty-stricken lives of too many of the city’s residents, all of whom will be looking to India’s recently elected government for new hope and progress. Much now rests on the shoulders of Premier Modi and his colleagues — but initial signs are hugely encouraging.

That such diversity continues to exist in one of India’s richest cities reminds us all that, while much progress has indeed been made, huge disparities and inequalities still continue to haunt too many countries, regions and peoples. In this edition of Dynamics, EY’s magazine for the international development community, we consider some of these themes.

We begin by taking a look at Sweden, a country that has carved itself a pivotal niche in international development thanks to the longstanding generosity of its programs. Its Minister for International Development Cooperation, Hillevi Engström, is rightly proud of the track record but is also keen to enhance its impact, efficiency and transparency. We hear about her plans, and why she is poised to turn up the volume about her country’s work.

We also spotlight the Caribbean. Long a region for vacations, cricket and sunshine, it, too, has endured its share of development challenges. But this is changing — particularly for the island state of Trinidad and Tobago, which is reaping huge benefits from the presence of deep natural resources on its twin islands. Its Minister of Public Administration, Carolyn Seepersad-Bachan, however, is not resting on any laurels. A former lecturer who is currently spearheading a sweeping program of government-wide reform, she tells us about the importance of innovation in driving forward development. We hear about her plans, and why she is poised to turn up the volume about her country’s work.

We also take a look at public-private partnerships. Such transactions are increasingly prevalent in developing countries and we hear from two World Bank Group leaders, Laurence Carter and James Close, about how they are promoting their more widespread use in order to catalyze development. The increasingly close links between Brazil and Africa are also examined in this edition as we speak to Brazilian leaders about why the continent enjoys such a magnetic allure for them and their organizations.

With the power of green energy to transform economies increasingly accepted, EY’s Arnaud Bouillé charts how developing countries are tapping into their natural resources to boost growth and address climate change, looking closely at the examples of India and Nigeria. India, though, is far from solely reliant on green energy for its economic growth. As EY’s recent India attractiveness survey demonstrated, it remains hugely popular among global investors. EY’s Rajiv Memani explains why.

Meanwhile, Mimi Alemayehou has a keen focus on Africa’s concerns. The former Executive Director of the Overseas Private Investment Corporation has enjoyed a meteoric rise through the corridors of power in Washington, DC, but has never forgotten her Ethiopian roots. She tells us about her career and lessons learned from her experiences in development. We also take a detailed look at Mexico and EY’s presence in this rapidly developing country.

We are eager to hear your feedback and suggestions for the magazine — and especially any offers to contribute your own experiences and insights. Please contact me at rohan.malik@in.ey.com. I look forward to hearing from you.
Contents

We meet ...

A Swedish hand up
Sweden may be one of the world’s largest donors but its Minister for International Development Cooperation, Hillevi Engström, is not resting on any laurels. We hear about the Swedish approach to development.

Perfecting the partnership process
World Bank Group leaders Laurence Carter and James Clore are big believers in the power and potential of public-private partnerships to drive development. We hear why.

It’s all heading south
Increasingly close links between Brazil and Africa tell a story of mutual economic growth and potential. Three Brazilian leaders tell us about why their focus – and future – is in Africa.

Islands of change
Trinidad and Tobago is undergoing something of a quiet revolution. A cross-government program of reform is just one example of its rapid development. Minister of Public Administration Carolyn Seepersad-Bachan tells us about progress made, and progress still to come.

My story, my views ...
From her upbringing in Ethiopia to a succession of high-powered roles in Washington, DC, Mimi Alemayehou’s has been a life lived to the max. Here, she tells us about her career in development and why a return to Africa is imminent.

Features

Growing from the ground up
EY’s Enterprise Growth Services deploys some of our leading people to support small business owners and social entrepreneurs as they drive to grow their businesses. We hear three of their stories.

Working toward a better world
EY’s Rohan Malik spends much of his time working with policy-makers across developing countries. Here, he tells us about lessons learned and ambitions still to be met.

Green light for growth
EY’s Arnaud Bouillé explains how investing in renewable energy can accelerate economic growth in developing countries around the world.

Powering through the headwinds
India remains on the rise and one replete with huge potential, says EY’s Rajiv Memani.

Regulars

Round up, refresh
A summary and analysis of recent news and events from the international development sector.

Country spotlight: Mexico
We set out the challenges and priorities of Mexico and introduce EY’s capabilities in this rapidly evolving country.

Contacts
EY’s international development professionals around the world.

EY | Assurance | Tax | Transactions | Advisory

About EY
EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

© 2014 EYGM Limited.
All Rights Reserved.
EY no. FK0077
Artwork by EMEIA MAS. 1000861
ED 0419

In line with EY’s commitment to minimize its impact on the environment, this document has been printed on paper with a high recycled content.

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax or other professional advice. Please refer to your advisors for specific advice.

The views of third parties set out in this publication are not necessarily the views of the global EY organization or its member firms. Moreover, they should be seen in the context of the time they were made.
UK looks to new wave of entrepreneurs

A new volunteering scheme that aims to help young people work in startup enterprises and companies in fast-growing economies such as Bangladesh, Nigeria and Tanzania, has been announced by the UK’s Department for International Development (DFID).

The new scheme, called ICS Entrepreneur, will enable around 400 young people to go through the program over the next 18 months and participants will also qualify for academic credit. The 18- to 25-year-olds selected will spend up to three months working in startup enterprises and companies creating business plans, managing finances, designing marketing and boosting sales.

“Britain was built on the dynamism and graft of its entrepreneurs, and our country’s future will be no different,” said International Development Secretary Justine Greening. “That’s why we’re investing in the skills and energy of young people, no matter where in the UK they’re from or what their background, so that we continue to be competitive and successful. It’s a win-win for the host countries where the volunteers will work, and great for British employers who are crying out for workers with the right skills and a global perspective.”

USAID lauds impact of Feed the Future initiative

President Obama’s Feed the Future program has reached nearly seven million smallholder farmers and helped to save 12.5 million children from the threat of hunger, poverty and malnutrition in the last year, the U.S. Agency for International Development (USAID) has announced.

Feed the Future, which was formed four years ago, works in 19 focus countries in Africa, Asia, Latin America and the Caribbean. Overall in 2013, the initiative encouraged the use of new technologies and management practices – such as high-yielding seed varieties – on about 9.9 million acres of land. The initiative has also helped leverage billions of dollars in private sector commitments in African agriculture. In African countries alone, the Obama Administration’s antihunger and poverty efforts have helped to reach 2.6 million farmers and gathered US$7 billion in private sector commitments to African agriculture, according to USAID.

“Feed the Future has hit its stride, delivering results that are changing the face of poverty and hunger for some of the world’s poorest families,” said USAID Administrator Dr. Rajiv Shah. “Working alongside thousands of partners from the private sector, civil society and local leaders, we are pioneering a new model of development – one grounded in country leadership, policy reforms, cutting-edge measurement and evidence, and a relentless focus on delivering real results.”

Measurement matters, says MCC

The Millennium Challenge Corporation (MCC) called for improvements in measuring corruption after co-hosting a workshop with experts and data scientists held at the OpenGov Hub, a venue in Washington, DC that brings together organizations working to broaden the open government agenda.

The workshop’s participants expressed concerns about a lack of coordination among the producers and users of governance and transparency data. The lack of coordination has created challenges for actual data users such as MCC and other government agencies, donors, media, private companies and individual researchers.

MCC uses annual scorecards to evaluate countries on their commitment to ruling justly, investing in their people and economic freedom. Comprising 20 indicators – including the control of corruption indicator produced annually by the Brookings Institution and the World Bank Group – the scorecards help MCC’s Board of Directors determine whether poor countries are well-governed and eligible to receive funding. “If you want to take corruption seriously, you have to take its measurement seriously,” said MCC’s Acting CEO Sheila Herrling. “At MCC, we rely upon good quality public data created by third-party expert institutions to identify partner countries that are well-governed.”

UK pledges new focus on disaster preparation

The UK is spearheading a new push to help developing countries prepare for humanitarian disasters. Its new Disasters and Emergencies Preparedness Programme will provide expert training, simulation drills and new disaster monitoring systems to ensure countries most at risk from natural disasters – such as Nepal, Bangladesh, Ethiopia and Sudan – can prepare for future shocks.

The program will award funding on a competitive basis to projects that will improve the quality and speed of humanitarian response. This will include new training programs, disaster simulations and drills for aid workers in vulnerable countries. There will also be additional focus on improved early warning, with support to be awarded to innovative early warning systems that improve the communications and coordination of disasters. This could include extending satellite or geographic data monitoring to track disasters, national communication systems to warn vulnerable communities or more detailed risk analysis in disaster-prone regions.

In addition, DFID will set up a new £20 million fund for UNICEF and the World Food Programme to improve disaster planning in 11 high-risk countries or regions – where 17 million people are at risk of a disaster, including 14 million women and children in emergencies.

Speaking at the World Bank Spring Meetings, International Development Secretary Justine Greening said that there was a growing risk that the most fragile and vulnerable countries will be left far behind. “The humanitarian system is already stretched to a breaking point,” she said. “The reality is that we are facing evermore demands on the system, as we deal with the effects of a changing climate, growing population, conflict and extremism. Our global humanitarian system does great work, but the scale of the challenge means all of us need to up our game. The global Investment in emergency preparedness is extremely low. We urgently need larger, sustained investment in preparedness and resilience.”

Development bonds target global poverty reduction

The UK is launching its first ever development impact bonds to improve health care in Africa by bringing together increased private and public investment.

The bonds are aimed to prevent the spread of sleeping sickness in Uganda, where an estimated nine million people remain at risk. A new £1.5 million inception project will research and design a bond to purchase drugs to treat infected cattle before the disease spreads. A bond has the potential to drive much more investment into developing countries. New private investment in development projects would be followed by further “top-up” investment by aid donors after specific results have been achieved.

The DFID is also supporting the development of new bonds by bringing together investors, governments and aid agencies to design new investments in the coming months. Similarly, the UK is set to help convene new “development cooperation hubs” in Nigeria, Mozambique and Kenya where private companies, governments, international organizations and civil society organizations are able to collaborate on joint development projects. “We must agree a new partnership between emerging nations, aid donors and private investors to make sure every penny spent on development has the greatest possible impact,” said International Development Secretary Justine Greening. “Development bonds are a tremendous opportunity to get the finance and investment needed quickly to make development work. This is vital if we are to create the growth and jobs needed to end poverty. We are determined to innovate and make our aid more efficient. It is right that donors such as Britain ensure new private investment benefits the poorest and boosts growth in frontier economies.”

The Millennium Challenge Corporation (MCC) called for improvements in measuring corruption after co-hosting a workshop with experts and data scientists held at the OpenGov Hub, a venue in Washington, DC that brings together organizations working to broaden the open government agenda.

The workshop’s participants expressed concerns about a lack of coordination among the producers and users of governance and transparency data. The lack of coordination has created challenges for actual data users such as MCC and other government agencies, donors, media, private companies and individual researchers.

MCC uses annual scorecards to evaluate countries on their commitment to ruling justly, investing in their people and economic freedom. Comprising 20 indicators – including the control of corruption indicator produced annually by the Brookings Institution and the World Bank Group – the scorecards help MCC’s Board of Directors determine whether poor countries are well-governed and eligible to receive funding. “If you want to take corruption seriously, you have to take its measurement seriously,” said MCC’s Acting CEO Sheila Herrling. “At MCC, we rely upon good quality public data created by third-party expert institutions to identify partner countries that are well-governed.”

The UK is spearheading a new push to help developing countries prepare for humanitarian disasters. Its new Disasters and Emergencies Preparedness Programme will provide expert training, simulation drills and new disaster monitoring systems to ensure countries most at risk from natural disasters – such as Nepal, Bangladesh, Ethiopia and Sudan – can prepare for future shocks.

The program will award funding on a competitive basis to projects that will improve the quality and speed of humanitarian response. This will include new training programs, disaster simulations and drills for aid workers in vulnerable countries. There will also be additional focus on improved early warning, with support to be awarded to innovative early warning systems that improve the communications and coordination of disasters. This could include extending satellite or geographic data monitoring to track disasters, national communication systems to warn vulnerable communities or more detailed risk analysis in disaster-prone regions.

In addition, DFID will set up a new £20 million fund for UNICEF and the World Food Programme to improve disaster planning in 11 high-risk countries or regions – where 17 million people are at risk of a disaster, including 14 million women and children in emergencies.

Speaking at the World Bank Spring Meetings, International Development Secretary Justine Greening said that there was a growing risk that the most fragile and vulnerable countries will be left far behind. “The humanitarian system is already stretched to a breaking point,” she said. “The reality is that we are facing evermore demands on the system, as we deal with the effects of a changing climate, growing population, conflict and extremism. Our global humanitarian system does great work, but the scale of the challenge means all of us need to up our game. The global Investment in emergency preparedness is extremely low. We urgently need larger, sustained investment in preparedness and resilience.”

The UK is launching its first ever development impact bonds to improve health care in Africa by bringing together increased private and public investment.

The bonds are aimed to prevent the spread of sleeping sickness in Uganda, where an estimated nine million people remain at risk. A new £1.5 million inception project will research and design a bond to purchase drugs to treat infected cattle before the disease spreads. A bond has the potential to drive much more investment into developing countries. New private investment in development projects would be followed by further “top-up” investment by aid donors after specific results have been achieved.

The DFID is also supporting the development of new bonds by bringing together investors, governments and aid agencies to design new investments in the coming months. Similarly, the UK is set to help convene new “development cooperation hubs” in Nigeria, Mozambique and Kenya where private companies, governments, international organizations and civil society organizations are able to collaborate on joint development projects. “We must agree a new partnership between emerging nations, aid donors and private investors to make sure every penny spent on development has the greatest possible impact,” said International Development Secretary Justine Greening. “Development bonds are a tremendous opportunity to get the finance and investment needed quickly to make development work. This is vital if we are to create the growth and jobs needed to end poverty. We are determined to innovate and make our aid more efficient. It is right that donors such as Britain ensure new private investment benefits the poorest and boosts growth in frontier economies.”
World Bank Group pinpoints power of education

Girls with little or no education are far more likely to be married as children, suffer domestic violence, live in poverty, and lack a say over household spending or their own health care, than better-educated peers, which harms them, their children and communities, according to a new report from the World Bank Group (WBG).

Across 18 of the 20 countries with the highest prevalence of child marriage, girls with no education were up to six times more likely to marry than girls with a high school education. Nearly one in five girls in developing countries, meanwhile, becomes pregnant before age 18, while pregnancy-related causes account for nearly 70,000 deaths each year. Losing this investment will turn back the clock on progress.

“Enhanced agency — the ability to make decisions and act on them — is a key reason why children of better-educated women tend to marry later and have fewer children. “Enhanced agency is the ability to make decisions and act on them,” said WBG Director for Gender and Development Jeni Kluegmann.

Milestone reached in fight against tropical diseases

The U.S. Agency for International Development (USAID) has marked its support of the delivery of one billion neglected tropical disease (NTD) treats, which it claims are helping more than 465 million people in 25 countries, in some of the world’s poorest populations.

NDTs are a diverse group of diseases that affect more than one billion people, including an estimated 800 million children, and almost exclusively impact poor people living in the rural areas and urban slums of low-income countries. Women and children are especially at risk. For example, due to their primary role as caretakers of children, women are more commonly affected by trachoma, which causes pain and blindness during the most productive years of life. NTDs also keep children from living healthy, productive lives, causing malnutrition, reduced school enrollment and compromised intellectual development.

USAID’s NTD program is the largest public-private partnership collaboration in the agency’s 50-year history. “I believe this is indeed a celebratory moment for USAID and our partners, we must continue to work harder and smarter to reach the goals set forth in the World Health Organization’s NTD road map for the control and elimination of NTDs,” said Dr. Ariel Pablos-Mendez, Assistant Administrator for USAID’s Global Health Bureau. “Much-needed drugs are available thanks to donations from our pharmaceutical partners, but these drugs can only reach those who need them the most when there is assurance that in-country distribution mechanisms and plans are in place.”

AFRICA'S PERCEIVED ATTRACTIONNESS RELATIVE TO OTHER REGIONS HAS IMPROVED DRAMATICALLY OVER THE PAST FEW YEARS. SIXTY PERCENT OF SURVEY RESPONDENTS SAID THAT THERE HAD BEEN AN IMPROVEMENT IN AFRICA’S INVESTMENT ATTRACTIONS OVER THE PAST YEAR, UP FOUR PERCENTAGE POINTS FROM LAST YEAR’S SURVEY. “THE GOOD NEWS IN THIS YEAR’S SURVEY IS THAT PERCEPTIONS ABOUT THE CONTINENT SEEM TO BE SHIFTING,” ADDED SITA. “FOR THE FIRST TIME, AFRICA IS SEEN AS THE SECOND MOST ATTRACTIVE INVESTMENT DESTINATION IN THE WORLD. IT HAS STRONG FUNDAMENTS TO ENCOURAGE INVESTMENT, INCLUDING STEADY DEMOCRACY AND MACROECONOMIC GROWTH; AN IMPROVING BUSINESS ENVIRONMENT; RISING CONSUMER CLASS; ABUNDANT NATURAL RESOURCES AND INFRASTRUCTURE DEVELOPMENT.”

FDI in sub-Saharan Africa on the rise

Africa’s share of global foreign direct investment (FDI) projects has reached the highest level in a decade, according to EY’s attractiveness survey 2014 Africa.

The report combines an analysis of international investment into Africa since 2003, with a 2014 survey of over 500 global business leaders about their views on the potential of the African market. The latest data shows that while there has been a decline in FDI project numbers from 774 in 2012 to 750 in 2013, primarily due to ongoing uncertainty in North Africa, they remain easily in excess of the pre-crisis average of 390 projects per year.

There is a noticeable divide between FDI trends in North Africa versus sub-Saharan Africa (SSA). While FDI projects in North Africa declined by nearly 30%, projects in SSA increased by 4.7%, reversing the decline of 2012. This further widened the gap between the two subregions, with SSA’s share of FDI projects exceeding 80% for the first time.

While the UK remains the lead investor into the continent, intra-African investment continues to rise steadily. Investors are also looking beyond the more established markets of South Africa, Nigeria and Kenya to expand their operations, as well as moving into more consumer-related sectors as Africa’s middle class expands.

“Africa’s share of global FDI projects has grown steadily over the past decade and it is a promising sign that investors are now looking across the continent and to new sectors,” said Ajen Sita, CEO, EY Africa. “Further regional integration and infrastructure development should continue to entice investors to the exciting investment opportunities that Africa can offer.”

African countries urged to go global

Better participation in the global production of goods and services will enable Africa to transform its economy and achieve a development breakthrough, according to the latest African Economic Outlook, released at the African Development Bank Group’s Annual Meetings.

The continent’s growth is projected to accelerate to 4.8% in 2014 and 5% to 6% in 2015, levels that have not been seen since the global economic crisis of 2009. Africa’s economic growth is more broad-based, argues the report, driven by domestic demand, infrastructure and increased continental trade in manufactured goods.

“In order to sustain the economic growth and ensure that it creates opportunities for all, African countries should continue to rebuild shock absorbers and exercise prudent macro management. Any slackening on macro management will undermine future economic growth,” said Mthuli Ncube, Chief Economist and Vice President of the African Development Bank. “In the medium to long term, the opportunity for participating in global value chains should be viewed as part of the strategy for achieving strong, sustained and inclusive growth.”

UNDP chief calls for greater aid transparency

Enhanced governance should dominate the post-2015 development agenda, according to the Administrator of the United Nations Development Programme (UNDP).

Writing in the second annual report from the International Aid Transparency Initiative (IATI), Helen Clark said transparency was “highly relevant” to discussions on the future of development. “Among the 1.4 million people who have shared their priorities and perspectives in the UN-led consultations on the agenda, one of the most consistent and strong messages is the desire for better governance,” she wrote. “IATI is well placed to make an important contribution to these discussions.”

The report found that the number of organizations now publishing to the IATI standard almost doubled in 2013, with five new member bodies, including the Bill & Melinda Gates Foundation and the European Investment Bank, increasing the total membership to 59. “I encourage providers of development assistance to redouble their efforts to publish timely, comprehensive and forward-looking information,” added Clark. “UNDP, as a founding member of the IATI Secretariat, is fully committed both to improving its own transparency and promoting transparency by all development actors.”

Dynamics | Issue 9 | June 2014

Dynamics | Issue 9 | June 2014

Regular | Round up, refresh
A Swedish hand up

Long one of the world’s most generous donor countries, Sweden’s approach to development is guided by results, efficiency and transparency. Its Minister for International Development Cooperation, Hillevi Engström, tells Susanne Tillqvist about her ongoing mission to help improve the lives of some of the world’s poorest people.

Stockholm in the summer sun – picturesque, bustling, cosmopolitan – is a long way from the world’s developing countries, both geographically and metaphorically. And yet from Sweden’s capital city there flows a hugely generous stream of development spending, orchestrated by the country’s Minister for International Development Cooperation, Hillevi Engström.

From her offices in the Ministry for Foreign Affairs, she and her colleagues oversee an eclectic range of country-specific programs, all of which seek to end poverty and lift up some of the world’s vulnerable people. While in post for less than a year, it is clear that she has wasted little time in getting up to speed. “Sweden enjoys substantial international clout in the development sector,” she admits. “Money talks, and this is one of the most striking things I’ve recognized since becoming Minister. Everyone wants to have bilateral meetings and discussions in order to get a piece of the cake.”

While no stranger to Sweden’s corridors of power – previously she served as Minister for Employment for three years and continues to serve as her party’s spokesperson on gender issues – she freely admits that she possessed little background knowledge about the sector prior to her appointment last September. “To be honest, I didn’t know much about development and I don’t think many politicians here do,” she says. “If you work on the local level or in Parliament then you have to know a little bit of everything, but development is not very well known. But I really enjoy it and find it fascinating. Really, it comes down to the same policies – jobs, economic growth, law and order – that exist elsewhere in government.”

The Swedish strategy

Development is firmly entrenched in the Swedish Government’s spending program. With cross-party support, it enjoys a protected status that is increasingly rare around the world, with little or no pressure to implement budget cuts. When asked to explain how this has come about, Engström cites the long
fewer countries to boost sustainability," Engström started up a reform agenda, one more of women in development; and climate impact. Three thematic priorities have crept in — anything but. Over the past few years, Sweden has sought to strengthen its approach by concentrating on a smaller number of recipient countries in order to maximize impact. Three thematic priorities have also been identified: democracy and human rights; gender equality and the role of women in development; and climate and the environment. “My predecessor also linked to our close partnerships with several NGOs and the church, too, plays a role; when I was visiting the Democratic Republic of Congo recently, I found that Sweden’s good reputation stems from the work of Swedish missionaries there 100 years ago.”

The Swedish approach today is to focus on helping create the conditions that will enable poor people to improve their lives. To reduce poverty as effectively as possible, there is increasing recognition that greater openness and transparency will lead to more successful results. The priorities and policies of recipient countries also underpin the Swedish strategy, one that is demand-driven and one that aims to complement the poverty reduction efforts of developing countries themselves.

With little pressure to reduce spending, Engström’s government has been able to hit its target of 1% of spending on development since coming into office in 2006. “It has been heavily debated but now there is a strong consensus behind it,” she says. “A key reason for this is our very strong economy which, despite the global financial crisis, has grown every year apart from 2008.”

But that doesn’t mean complacency has crept in — anything but. Over the past few years, Sweden has sought to strengthen its approach by concentrating on a smaller group of countries in order to maximize impact. Three thematic priorities have also been identified: democracy and human rights; gender equality and the role of women in development; and climate and the environment. “My predecessor started up a reform agenda, one more driven by results, and one that focuses on fewer countries to boost sustainability,” explains Engström. “We want to make sure we know where our money is going and have introduced a transparency guarantee, where all public documentation is available on the internet and accessible via mobile technology.”

The decision to focus on multilateral development cooperation is one that Engström fully endorses — “I think ours is the right moral approach” — but nonetheless it does have its drawbacks. It doesn’t give us a huge amount of visibility,” she admits. “Sometimes, at the big donor conferences, we have to really fight to put Sweden on the map, even though we are the third or fourth-biggest donor. At the end of the day, I don’t really care because, of course, the main thing is we help those in need. But, at the same time, it would be nice to be able to demonstrate to the Swedish people where and how we are helping. Other countries and organizations are far more vocal about what they do, but we are discreet — it’s a typical Swedish trait I guess. But I think we can get a better balance, as I want people to know that Sweden is a significant player on this agenda. Maybe it’s time to get the Swedish flag flying alongside some of the projects we fund.”

Such projects are increasingly to be found in Afghanistan — truly a state in need of assistance if ever there was one. With an eight-year plan in place, Sweden’s commitment is clear, though circumstances there remain highly challenging. “We don’t yet have a specific plan for each individual Afghan state, due to our concerns over corruption,” admits Engström. “I’ve been to Afghanistan, and it’s visits like that which are so important, as you get to see for yourself the work that is going on, to meet the people and to hear their stories about what is really happening.”

Asked what has most surprised her about such visits, she says that she has learned how difficult it is. “Development professionals working on the ground don’t have the most glamorous job,” she says. “It is dangerous, and they are working for people who have so many needs, and they have to choose how to prioritize their help, so there is huge pressure on them all the time. They’re doing a tremendous job but it is so challenging, especially in places such as Afghanistan. We currently have a really important role there because, as the military is withdrawing, the needs are increasing. Afghanistan reflects our goals for international development cooperation in several aspects but one in particular, and close to my heart, which is to support the rights for young women to receive education and women’s rights overall.

For us, it is important to have a long-term commitment; we don’t want to just be there for a short time and then withdraw. We’ve met the Afghan people and they’ve asked us not to leave them — they want us there for a long time too.”

Still optimistic

Although Engström and her colleagues are gearing up for what promises to be a closely fought general election this coming September, the business of government will, of course, continue. Despite the impending encroachment of opinion polls, campaign visits and television appearances onto her agenda, there seems little chance of Engström taking her eye off the development sector. “I am optimistic about development and the progress we have already made, but there is always more to do,” she says. “I’m only just getting started!”

Suzanne Tillypool is an Advisory Services Partner with EY AB in Sweden.
suzanne.tillypool@se.ey.com
Growing from the ground up

Supporting small businesses and social entrepreneurs to grow and develop in emerging markets is a mission shared by development professionals around the world.

Jon Shepard explains how EY’s new Enterprise Growth Services is contributing.

A Ugandan farmer gazes out across fields of crops, ready to be harvested to take to market. The increasing prevalence of such an image is down to many factors – improving infrastructure, better skills and increased training all spring to mind. But this type of development in action is also one of many examples of how EY’s recently launched Enterprise Growth Services (EGS) is helping to accelerate progress across emerging markets.

EGS is a nonprofit EY program that makes our consulting services available to small businesses, social enterprises and NGOs in low- and middle-income countries at heavily subsidized rates. Entirely demand led, our objectives are to create broad social and economic development by supporting business change that can be sustained once our involvement finishes, and to give our people opportunities to use their skills in a different context as part of their EY career.

A continent on the move – but challenges remain

Africa’s recent story has increasingly been one of optimism for the future. Economic growth, diversifying economies, democratization and vast potential are increasingly coursing across all corners of the continent.

EY’s attractiveness survey: 2014 Africa, which combines an analysis of international investment into Africa since 2003 with a 2014 survey of over 500 global business leaders about their views on the potential of the African market, found that, in 2013, Africa’s share of global FDI projects reached 5.7%, its highest level in a decade. The number of new FDI projects in SSA increased by 4.7%, although the total number of new FDI projects declined by 3.1%, due to the political uncertainty in North Africa. However, the average size of FDI projects increased to US$70.1m in 2013, from US$60.1m in 2012.

But it’s not all good news. The long-standing image of Africa as conflict-ridden and poverty-stricken continues to endure in many quarters. Partly this is down to the continent’s sheer size and diversity – while success stories abound, there continue to be failures – and it is clear that more work needs to be done to address key constraints to doing business on the continent. In addition to focusing on priorities such as improving transport and logistics infrastructure, for example, another important task is to help small businesses to grow and prosper, particularly in the early stages of their existence. This is where EGS can help.
Abi Smith, Manager
asmith@uk.ey.com

I did the first-ever placement in January 2013, which was for three months in Ghana. The client was PPS, which imports industrial consumables, such as high-visibility jackets to the mining industry. Its business had grown very rapidly, but its policies and procedures hadn’t developed at the same rate. There was a need to convert the company’s working capital back into cash so it could be reinvested and maintain the company’s growth, as well as enhancing its systems and processes at the same time.

It was my first time in SSA. It was an extraordinary experience – I’m so glad I did it – and I think it is hugely beneficial, both for the client and EY. Professionally, I was operating at a much higher level than I would have been on a similar placement in the UK. I was working with professionals, not junior staff, and I had the opportunity to provide the client with an assessment of the situation and then work with them on putting systems in place.

It was my first time in SSA. It was an extraordinary experience – I’m so glad I did it — and I think it is hugely beneficial, both for the client and EY. Professionally, I was operating at a much higher level than I would have been on a similar placement in the UK. I was working with professionals, not junior staff, and I had the opportunity to provide the client with an assessment of the situation and then work with them on putting systems in place.

Small steps

Small businesses in Africa lead to new products, new markets and new forms of business organization, thereby making them particularly important, as they help promote growth and employment. EGS involves the deployment of individuals or teams from European or emerging market offices to work hands-on for up to six months, depending on the nature of the project. They offer practical, powerful support for promising entrepreneurial businesses.

Not only do we not make any profit from our work and absorb the program’s overhead costs, but our European staff takes substantial salary cuts. Charging fees sufficient only to cover their remaining salary costs, plus minimized travel and accommodation expenses, we work with impact investors, NGOs and multinational corporations that we believe share our philosophy and can help us find opportunities to create significant and sustained social value. This not-for-profit but not-for-loss model makes it an extension of our core business, rather than a traditional corporate responsibility initiative.

And, in addition, EGS offers our people a real opportunity to contribute to the community, as well as giving them a chance to understand how the entrepreneurial nature of most economies is rooted in the small business sector. We plan to grow this program to a point where we are putting hundreds of our people through it every year, which would, in turn, help hundreds of small businesses and social enterprises across the developing world. Such an ambition is rooted in our understanding that small businesses are the engine of any growing economy — and, through EGS, we are proud to play our part in helping them take their first steps forward into a more developed world.

Joanne Thorlby, Assurance Executive
jthorby@uk.ey.com

I wanted to do something different from what I’d been doing previously. My previous experience at EY — in our Assurance business — had given me a good grounding in business and a general understanding of processes within a company, but I was not familiar with some of the detail, such as supply chain operations.

My EGS assignment had me living and working in a village called Horma, about a four-hour drive north of Kampala, the capital city of Uganda. Although I had traveled extensively and wasn’t fazed by the idea of working in a developing country, it wasn’t what I expected – far more lush and far more green than the arid landscape I’d envisaged.

The local people we were working alongside were incredibly friendly and approachable. We were looking at the agricultural supply chain on behalf of a charity, and the project encompassed both management consultancy and strategic advice on how to go about encouraging the local community to grow their crops commercially and not just to feed their families, which is what about 95% of them were doing.

The charity hosted training events, put on educational courses and had introduced a mentoring scheme. Our role was to assess what was happening, talk to all the stakeholders – individual farmers and larger groups, the local council, some local politicians and local church leaders. We then produced a report that assessed our findings and put forward our recommendations, which addressed strategy, supply chain issues and solutions, and the actual management of the charity. It was a really amazing experience – well worth the 50% pay cut!

Samantha Varney, Manager
sam.varney@za.ey.com

The EGS assignment is unlike any other that I’ve undertaken at EY so far. It is a truly unique experience, and it’s amazing to be able to work towards something that will hopefully have a profound impact on people’s lives.

There are regular shortages of medicines in most parts of Zambia, particularly in the public sector hospitals in rural areas. The government hospitals that provide free medication are all too often unable to meet the demand and simply refer people to the private sector pharmacies. Here, the problem is the price of the medicines, which are heavily marked up and often affordable for the average Zambian.

The aim of the initiative is to increase access, availability and affordability of medicines to the underprivileged rural communities, while helping to create improved economic conditions for growth. By working with local organizations and businesses we hope to build a sustainable supply chain that will address the health problems faced by the rural communities across the country.

An assignment like this comes with its own set of challenges, but working toward making life better for so many people provides a lot of personal satisfaction that is unquantifiable. This EGS project has given me incredible exposure to working in Africa and I believe that the EGS projects are an opportunity that every EY employee should try and pursue as the learning curve is steep but the experience is unique.

---

We meet ... | Growing from the ground up
We meet ... | Perfecting the partnership process

For Laurence Carter and James Close, senior roles at the World Bank Group have granted them global oversight over the fluctuating fortunes of the public-private partnership (PPP) market. We hear about why such transactions continue to drive development across emerging economies.

Perfecting the partnership process

Water, sanitation and electricity: just a few of the basic services that those of us in the developed world are prone to take for granted. Unfortunately, such services remain out of reach for millions of people across developing countries – despite huge outlays of development assistance. This disappointing reality rarely makes the headlines in today’s 24/7 media cycle, but it remains top of mind for the citizens affected, as well as for the many development professionals who focus on infrastructure standards in the developing world. Laurence Carter and James Close, senior leaders at the World Bank Group (WBG), are highly prominent members of this community.

The WBG, as would be expected for such an important funding institution, has long viewed infrastructure as one of its key priorities, seeing it as critical to supporting social progress and the achievement of the Millennium Development Goals (MDGs). For example, infrastructure support accounted for 37% of its total fiscal 2013 lending, representing its largest business line. However, to meet the MDGs, investment must increase dramatically for projects that are significant in size, scope and complexity. Laurence Carter agrees that the challenges are considerable, but says that the private sector – largely in the form of PPPs – has a huge role to play in helping meet this demand.

“Most assessments agree that the problem is not lack of financing but lack of well-structured projects,” he points out. “Governments lack the capacity to turn the rhetoric into better projects, and I am hopeful that the current restructuring of the bank will help. WBG President, Dr. Jim Yong Kim, has announced he wants processing times to be reduced by about a third over the next couple of years, and we also need to make sure that when a request comes in from a client, it goes to the right part of the bank – to be better at being joined up, in other words.”

Carter, who is the Director of Advisory Services in PPPs at the WBG’s International Finance Corporation, goes on to say that
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 creditworthy 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. Close feels that cities are key to responding to the challenge.

“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 the developing world, with Africa and Asia particularly affected. As a consequence, Laurence Carter says that much WBG work has centered on cities in recent years. “A lot of our activity is focused on cities, 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 public and private sectors is clearly an important part of the solution.}

“We need to show this commitment to our clients to build capacity, rather than just going in, and then going out again.”

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$70 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.

Women are increasingly seen as the engine of the next wave of economic growth. 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.

Rohan Malik is EY’s Government & Public Sector Emerging Markets Leader and Managing Editor of Dynamics.

rohan.malik.lhin.ey.com

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
Brazilian funding and development cooperation is being increasingly deployed across Africa. 

It’s all heading south 
In the enduring hunt for sharing economic opportunities, Brazilian eyes are increasingly turning toward other countries, with a special focus on Africa, says EY’s Claudia Valenzuela. Three leaders from across Brazil explain why.

G rowth, opportunity and potential have ricocheted across Brazil and the African continent in recent years. While other more mature markets are only just beginning to click into gear after the financial crisis, the economies of Brazil and Africa have enjoyed better times as a result of rising popularity with foreign investors, and burgeoning domestic markets driven by an expanding middle class and abundant natural reserves. 

Africa, in particular, is picking up the pace. It’s perceived attractiveness relative to other regions has improved dramatically over the past few years, according to EY’s recent Africa attractiveness survey, moving from the third-from-last position in 2011 to become the second most attractive investment destination in the world. Its total share of global FDI projects has also reached the highest level in a decade, with investors increasingly looking across the continent and to new sectors. 

Brazil is also a destination for much foreign investment. From the bleak days of the 1970s, it has emerged as a formidable force in the global economy; one underpinned by increased trade, economic stability and steadily improving prospects. Although the journey toward this year’s FIFA World Cup has not always been smooth, the improved infrastructure that has resulted from hosting the tournament will likely be of huge benefit in the years to come. 

An African horizon 
While separated by the vast expanse of the southern Atlantic Ocean, the fact that, millions of years ago, Africa and Brazil were joined in a single landmass, and continue to share similarities in soil and climate, serves as a far more apt geographic metaphor. The increasingly close relationship between the two began during the Presidency of Luiz Inácio Lula da Silva, who himself traveled to Africa 12 times in the 1990s, visiting 21 countries in the process. This pattern has continued under his successor, Dilma Rousseff, who, for example, visited Angola, Mozambique and South Africa during her first year in office. These travels, it should be pointed out, were hardly a one-way street: Brazil received 47 visits by African kings, presidents and prime ministers from 27 nations during da Silva Presidency alone. The frequency of such back-and-forth travel reflects the fact that, at the same time as Brazil’s economy was increasingly diversifying and becoming more international in scope, Africa was opening up as a source of growth, new markets and potential. Such visits also enabled African leaders to see for themselves the secrets of Brazil’s success in areas such as narrowing social inequality and accelerated development, which were hugely pertinent to their own domestic challenges. 

A broad range of ambitions 
The close ties between Brazil and Africa have led to a wide array of development programs, ranging from humanitarian aid to multilateral interventions across sectors such as agriculture, education, e-government, urban development and tourism. Much of this work is overseen and deployed by Brazilian Cooperation Agency (ABC), which is responsible for the Brazilian Government’s development programs around the world. Its Director, Ambassador Fernando José Marroni de Abreu, says that the focus on Africa – “south-south cooperation” – is no temporary phenomenon. 

“This is now a permanent concern for Brazilian foreign policy,” he says. “The motivations are strong: the close cultural and historic relationship with developing countries, especially in South America and in Portuguese-speaking African countries. This commitment goes beyond Latin America and Africa, reaching other regions on the planet where cooperation is a necessary tool to foster development. For instance, in 2013, ABC managed the implementation of 1,000 south-south cooperation projects and short-term activities (bilateral and triangular), with approximately 80 countries in Latin America, the Caribbean, Africa, Asia and Oceania.” 

He is keen to stress, though, that it’s not about aid. “Our cooperation is motivated by solidarity with other developing countries, demand-driven, nonprofit and free from conditions, and aimed at helping our partners to strengthen their institutions and human resources,” he says. “The focus of the Brazilian south-south cooperation is capacity development. Through that focus, we believe that partner countries benefit from an effective transfer and absorption of knowledge, and from an exchange of experiences developed in Brazil under quite similar socioeconomic circumstances.” 

The Ambassador also believes that south-south cooperation is markedly different to the type of development practiced by more Northern countries. “Unlike the north-south model, Brazilian cooperation does not offer solution packages,” he says. “Instead, after
Lamego says that a huge amount rests on the availability of a skilled and qualified labor force. “You can only get this if you organize training and education in line with industrial and social benefits,” he says. By implementing technical training programs and prioritizing knowledge transfer, there has been great success in local capacity building, says Maria Letícia Macedo, Head of International Relationship Division at Caixa. “We act as a partner of the federal Government in implementing its foreign policy and this contributes to international development,” she says. “This enables effective and sustainable results to be achieved and in the process we strengthen the external reputation and presence of Caixa and Brazil in Africa.”

Looking ahead

The current budget for Africa exceeds US$70m in signed projects, representing about 60% of the total resources committed by ABC. However, this level of funding, while substantial, has proven to be insufficient to meet rising demand – its budget has been fully utilized, with 100% implementation over the last four years. However, it’s not just about funding, according to Marroni de Abreu.

“The challenges also include efforts for effective coordination between the performance of Brazilian cooperating institutions and their local counterparts in the beneficiary countries,” he says. “South-south cooperation should be mainly implemented by way of a project aimed at achieving structural results. Consistency and sustainability can only be ensured within a framework of projects with durable and long-standing impacts. Efforts have also been made to assess the relevance, impact and effectiveness of the demands made by fellow developing countries, in order to avoid the temptation of providing temporary and unsustainable solutions. It goes without saying that a successful outcome of a south-south cooperation initiative will be limited without the continuous involvement of the different segments of the civil society in its implementation. There is no real south-south cooperation without clear local ownership and leadership.”

It is clear that the links forged between Brazil and Africa – rooted in history and encompassing geographic, cultural and development similarities – mean that the south-south cooperation is here to stay. Fast forward 10 or 20 years, and these links are only likely to have broadened and deepened – so watch this space.

Climate change represents a “fundamental threat” to efforts to tackle poverty, and countries must agree collective action to tackle it as part of their plans for international development, Rachel Kyte, President and Special Envoy on climate change at the World Bank Group (WBG) said recently. “Countries need to take bolder action now, before the impacts of climate change put prosperity out of reach for millions and roll back decades of development. If we don’t confront climate change, we won’t end poverty,” she added.

She’s absolutely right, and it’s heartening to hear such a senior development leader recognize the gravity of the situation. Climate change is not only an environmental issue, but also a fundamental challenge to economic growth and financial stability; one that requires quick action in order to prevent it from blocking any meaningful attempt to end poverty and deliver more inclusive growth around the world.

Going global

The problem is now all too apparent: weather-related damage costs an average of US$200 billion a year globally, with climate change increasing the cost of development by 25% to 30%, according to the WBG. But of course, it’s not just about climate change. Access to sustainable sources of energy is also crucial because it involves physical infrastructure such as natural gas pipelines. Energy affordability and reliability also rank highly, while far too many people in developing countries – particularly those affected by higher temperatures – are facing huge difficulties in accessing a secure and safe supply of drinking water, an issue that is of particular importance.

Although we are on target to meet the 2015 MDG for water supply (by 2015, half the proportion of people without sustainable access to safe drinking water and basic sanitation), much more still needs to be done. About 2.6 billion people – half the developing world – lack even a simple “improved” latrine, and 1.1 billion people have no access to any type of improved source of drinking water, according to data from the
Country spotlight: Nigeria

Nigeria is a country on the move – in every sense. With a GDP that accounts for more than 80% of West Africa’s total output, its story is one of rapid economic growth and an expanding consumer class, and it is transforming more and more into a demand-driven economy. Many investors view Nigeria as the main driver of Africa’s consumer market in Africa, given its large population of about 170 million (the highest in Africa) and its improving business environment. Demand for housing, power, infrastructure, education and pharmaceuticals will continue to rise steeply in line with increasing urbanization. This will drive opportunities, particularly for consumer-facing industries, along with supply chain and logistics companies.

However, despite holding the world’s seventh-largest natural gas deposits, Nigeria continues to suffer chronic power shortages. Projected annual electricity demand growth of 5% is creating a demand that is already double the country’s 4GW production capacity. Artificially low local gas prices have also contributed to this shortfall, with producers favoring exports to secure higher tariffs. Low tariffs have also prevented investment in Nigeria’s transmission infrastructure, ranked globally as one of most neglected and inefficient. Combined with supply shortages, this has resulted in around 90% of industrial customers and many Nigerians acquiring their own generators, creating the world’s highest concentration of small-scale power supply and costing the Nigerian economy an estimated US$ 3.3 billion annually.

The current transformation of Nigeria’s power sector, and the challenges it faces, represent huge opportunities for a burgeoning renewable energy sector. Surging demand and an overreliance on natural gas and hydro have created a need both to increase and diversify electricity supplies, while energy market liberalization is gradually encouraging private sector investment. Nigeria first adopted its Renewable Energy Master Plan in 2006 and is now targeting 14% capacity by 2020 and 20% by 2030, including 4GW of solar by 2025. It’s not clear, however, how the country’s electricity sector is likely to transform its energy sector is clear, with progress to date signaling the potential for private sector participation (acknowledging that the privatization process will take time) and support for increased renewable energy investment.

A major barrier is, of course, political and social unrest in the country, particularly heightened at present. Foreign companies and investors are understandably apprehensive, and getting into the country can be difficult, though political risk insurance and other measures can help to mitigate some of these risks. Once accessed, however, the Nigerian energy market has the potential to offer significant opportunities, making it a matter of when renewable energy developers and investors will move in, not if.

As investors compete for funds, climate change is continuing to cost an increasingly long and borderless shadow, limiting an economy’s capacity to create jobs, especially in the developing world. And certainly, those who live there need little reminder of our changing climate; it’s in front of them every day. As temperatures soar and plummet, ocean levels rise and the frequency of extreme weather increases, their day-to-day lives are increasingly shaped by the weather and its impact on their agriculture, food and water supplies.

However, there remains an underlying cause for optimism. Although the failure to generate any significant results at last November’s United Nations Climate Change Conference was disappointing, the fact that the WBG in particular has placed climate change so central to its operations is evidence of the issue’s increasing resonance across the development sector.

Now is the time for policy-makers, investors and businesses to come together anew. The scale of the challenge is clear, but so is the opportunity. Green energy investment, tailored to each developing country, offers a pivotal route out of poverty; creating jobs, strengthening economies and protecting the environment in the process.

Few can argue against such success. Let’s get to work. 

Arnab Bhadra is an executive director with EY in the UK.

Read more and download our latest Renewable Energy Country Attractiveness Indices at ey.com/reward.

World Health Organization. As a result, 1.6 million people die every year from diarrhoeal diseases (including cholera) attributable to lack of access to safe drinking water and basic sanitation, and 90% of these are children under five, most of whom live in developing countries. The global nature of these challenges reflects the global nature of today’s renewable energy market. From Japan and Southeast Asia to Africa and South America, renewable energy is now viewed as a viable energy source that is gaining a solid and growing share in the energy mix. Developing countries are playing a critical role in shaping this landscape, with countries such as Ethiopia, Kenya, Indonesia, Malaysia and Uruguay all coming to the fore.

Development banks such as the WBG and the African Development Bank are also helping finance the development of clean technologies and renewable energy in order to create jobs, establish new industries and help countries develop into resource-efficient and low-carbon economies. Policy-makers, too, have an important role to play. Rather than focusing purely on revenue-based support, governments need to create a stable, consistent policy framework that helps manage and mitigate risks, so that 50-year investment decisions can be made with greater certainty.

Horizon scanning

It’s important to note, though, that substantial challenges still remain. The fact that renewable energy will make up an increasing proportion of the global energy mix is not in doubt – falling capital costs and minimal operating expenses will make the numbers stack up for energy consumers, stable and long-term returns will keep investors happy, and the reality of our planet’s finite resources will maintain a sustainability imperative. However, this does not give the renewable energy sector a divine right to attract investment.

Rather than focusing purely on revenue-based support, governments need to create a stable, consistent policy framework that helps manage and mitigate risks, so that 50-year investment decisions can be made with greater certainty.

While India’s renewable energy sector has always enjoyed broad political support, the election victory of Narendra Modi’s Bhartiya Janta Party in May is expected to reinvigorate a sector that is still far from its potential. Modi, previously Chief Minister of Gujarat state, home to a third of India’s installed solar capacity, has always been a strong advocate of a clean energy revolution in India. However, notwithstanding the importance of aspiration, the scale of the challenge ahead should not be understated. India has suffered a power deficit every year since 1984 and, while heightening the need for new generating capacity and transmission infrastructure, it is also hindering efforts to combat slower economic growth and high levels of inflation. The poor financial health of the country’s debt-ridden energy companies has also prompted a US$1.2bn government bond buyback and weakened the ability of states and distribution companies to meet their renewable portfolio obligations.

Financial pressures have also resulted in a backlog of more than INR15bn (US$217 mn) in subsidy payments owed to wind and solar developers, now facing potentially unviable projects. The Ministry of New and Renewable Energy (MNRE) received just one-third of its INR11.2bn (US$160mn) budgetary allocation for FY14, and the budget for next fiscal year has been cut by 71% to just INR4.4bn (US$715mn). This could jeopardize state-level rooftop solar programs that partly rely on MNRE funding.

A recent study by the Climate Policy Initiative and the Indian Business School, however, claims that India could reduce the cost of wind and solar power support by up to 78% and 28% respectively, by providing long-term, low-cost capital, and in the process, creating 10mn new jobs. However, this does not happen a give the renewable energy sector a divine right to attract investment.

Country spotlight: India

India’s renewable energy sector has always enjoyed broad political support, the election victory of Narendra Modi’s Bhartiya Janta Party in May is expected to reinvigorate a sector that is still far from its potential. Modi, previously Chief Minister of Gujarat state, home to a third of India’s installed solar capacity, has always been a strong advocate of a clean energy revolution in India. However, notwithstanding the importance of aspiration, the scale of the challenge ahead should not be understated. India has suffered a power deficit every year since 1984 and, while heightening the need for new generating capacity and transmission infrastructure, it is also hindering efforts to combat slower economic growth and high levels of inflation. The poor financial health of the country’s debt-ridden energy companies has also prompted a US$1.2bn government bond buyback and weakened the ability of states and distribution companies to meet their renewable portfolio obligations.

Financial pressures have also resulted in a backlog of more than INR15bn (US$217 mn) in subsidy payments owed to wind and solar developers, now facing potentially unviable projects. The Ministry of New and Renewable Energy (MNRE) received just one-third of its INR11.2bn (US$160mn) budgetary allocation for FY14, and the budget for next fiscal year has been cut by 71% to just INR4.4bn (US$715mn). This could jeopardize state-level rooftop solar programs that partly rely on MNRE funding.

A recent study by the Climate Policy Initiative and the Indian Business School, however, claims that India could reduce the cost of wind and solar power support by up to 78% and 28% respectively, by providing long-term, low-cost capital, and in the process, creating 10mn new jobs. However, this does not happen a give the renewable energy sector a divine right to attract investment.

As investors compete for funds, climate change is continuing to cost an increasingly long and borderless shadow, limiting an economy’s capacity to create jobs, especially in the developing world. And certainly, those who live there need little reminder of our changing climate; it’s in front of them every day. As temperatures soar and plummet, ocean levels rise and the frequency of extreme weather increases, their day-to-day lives are increasingly shaped by the weather and its impact on their agriculture, food and water supplies.

However, there remains an underlying cause for optimism. Although the failure to generate any significant results at last November’s United Nations Climate Change Conference was disappointing, the fact that the WBG in particular has placed climate change so central to its operations is evidence of the issue’s increasing resonance across the development sector.

Now is the time for policy-makers, investors and businesses to come together anew. The scale of the challenge is clear, but so is the opportunity. Green energy investment, tailored to each developing country, offers a pivotal route out of poverty; creating jobs, strengthening economies and protecting the environment in the process.

Few can argue against such success. Let’s get to work. 

Arnab Bhadra is an executive director with EY in the UK.

Read more and download our latest Renewable Energy Country Attractiveness Indices at ey.com/reward.
We meet ... | Islands of change

Think of Trinidad and Tobago, and images of sunlit beaches and good times are likely to feature highly. But these twin islands are not without their share of development challenges. Devindra Ramnarine hears its story from Minister of Public Administration Carolyn Seepersad-Bachan whose reforming zeal is matched only by her determination to help move her country forward.

Trinidad and Tobago’s corridors of power are a far cry from a university lecture hall — but Carolyn Seepersad-Bachan is equally at home in both. Indeed, her experiences as a lecturer in engineering at the University of the West Indies continue to shape her approach as the country’s Minister of Public Administration. “It was there that I came to learn about how the leadership of a country is critical to making change take place — without it, nothing happens,” she recalls. “It’s the same for public service transformation — without political will, it won’t be happening.”

This emphasis on strong personal leadership and accountability is one that has guided her whole approach to policy-making, but also serves as an apt metaphor for her government as a whole. Enriched by huge reserves of natural resources, primarily in oil and gas, Trinidad and Tobago has emerged as an economic powerhouse in the Caribbean region. Having grown at an average rate of 7% in the 15 years preceding the global financial crisis, it has also been bolstered by stable exchange rates and high living standards. No surprise, then, that the country is closing in fast on its ambition to become a developed country.

However, it’s not all good news. As a Small Island Developing State of approximately 1.3 million people and traditionally dependent on natural resources, it continues to be vulnerable to external economic shocks. Similarly, available land is relatively limited and future built development must respect the fragile ecosystems and long-term sustainability priorities. In part, these stem from the country’s reliance on its energy sector. Although its oil and gas industries have played a huge role in fueling growth across the country’s economy, it has also caused challenges in areas such as land degradation, and water and air pollution. Its dominance has also led to concerns that other sectors – such as manufacturing and the creative industries – have suffered slow progress by comparison, meaning that a fully diversified economy has yet to emerge.

An innovation nation

Seepersad-Bachan is more than aware of such concerns. She, like her other ministerial colleagues, is fully committed to the goal of sustainable development, placing it at the heart of the government’s agenda. The country’s development plan identified five key priorities, ranging from developing innovative people to governing effectively, enabling competitive business, nurturing a caring society, and investing in sound infrastructure.
and environment. Social development, meanwhile, is primarily focused on poverty eradication, deploying strategies such as work programs, temporary food cards and job coaching for the country’s youth.

The Minister cites innovation as absolutely crucial, saying that it holds the key to improved public service delivery and much more. “I believe that how we seek out and foster innovation from all levels is crucial to continuous development and improvement,” she says. However, although Trinidad and Tobago, itself a melting pot of religions, races and cultures, is a natural environment for innovation to flourish, the hierarchical government systems inherited from the colonial structures of 1962 do not help.

“It’s been a constant challenge to get innovation in the public service because of the way it is structured,” she says. “The lack of encouragement and reward on the one hand, and the fear of failure on the other, make innovation difficult. We cannot be afraid of failure and we cannot escape the process of trial and error. In fact, if we are to be innovative, there must be failures. But equally, where there are failures, we need to ensure that people are not repeating mistakes that we are already aware of.”

That innovation has not always thrived in Trinidad and Tobago is reflected by the fact that it was ranked only 81st out of 142 countries in the 2013 Global Innovation Index, a result that Seepersad-Bachan describes as “unacceptable.” She goes on to say that the country’s public service – currently in the midst of a huge program of internal reform – can help lead the way forward.

“I see innovation, particularly incremental innovation, as a core activity of the public sector,” she continues. “It helps public services to improve performance and increase public value. It makes us respond to the expectations of citizens and adapt to the needs of users and, at the same time, it forces us to increase service efficiency and minimize costs. I prefer to deal with innovation in a pragmatic rather than a theoretical sense. For innovation to succeed, it must be based on the creation and implementation of new processes, products, services and methods of delivery, and result in significant improvements in efficiency, effectiveness or quality.”

She goes on to pinpoint the country’s colonial past, which she believes created a culture of risk aversion, as a key challenge to overcome. “Many public servants, especially those at the highest levels, were punished for daring to decide on the basis of principle and not personality,” she recalls. “We have to change that culture, that particular mindset, and remove the barriers in the way of entrepreneurship, endeavor and innovation. As a minister, I also know that we focus too much on short-term delivery, and a lot of pressure is placed on the people and the systems for ‘now-for-now’ results.” In part, this means reforming the government’s organization, she adds. “At the same time, we need to reduce the layers of bureaucracy and the hierarchical systems inherited from the colonial structures of 1962 that make innovation impossible.

The authority to innovate and be supportive of that structure is critical.”

I believe that how we seek out and foster innovation from all levels is crucial to continuous development and improvement.

A quiet revolution

The Minister’s commitment to reform and innovation is crystallized in the shape of a huge program of transformation already under way. Underpinning the government’s approach is the belief that three Cs – Capability, Connectedness and Culture – are fundamental. Capability includes a focus on leadership, systems and competencies; Connectedness refers to communications, citizen-centricity and technology; and Culture embraces innovation, entrepreneurship and performance transparency.

The reforms are rooted in the belief that good governance and strong institutions are key to sustainable service delivery excellence. This means that the public service requires a strong policy environment, institutions with the right people in the right jobs and operating on a high-level service platform centered on the three Cs to continuously improve the quality and effectiveness of citizen services.

Also important, adds Seepersad-Bachan, is the need to empower those working within the public service. “The old structure really represented our old post-colonial era,” she says. “The new architecture will give us new opportunities, new jobs and new program streams. The prevalence of new technology means we can reskill and retrain our clerical staff so that they are integrated and empowered. It is these people who really are on the frontline when it comes to serving the public – the customer – as they are at the first point of contact. So, we want them to be as motivated as possible at all times and it is crucial we bring them into the 21st century. This is why we need to give them new opportunities, give them new skills and give them access to new technology that they can be excited about.”

Over the horizon

The public service transformation program is understandably being seen by the Minister and her colleagues in government as a key force for good, one that will drive standards in the public service and, in doing so, help stimulate innovation and development across the country. Certainly, Seepersad-Bachan has little doubt that a bright future awaits.

“If necessity is the mother of invention, creativity is the mother of innovation and there is no more innovative society in the world than Trinidad and Tobago,” she says. “Our public service is a microcosm of that society. We have the people, we have the talent and we will now have an incentive.” Throw in its strong reserves of natural resources that continue to underpin and prolong its economic growth, and it would appear that Trinidad and Tobago has all the ingredients necessary to accelerate and sustain its journey of development.

Enriched by huge reserves of natural resources, primarily in oil and gas, Trinidad and Tobago has emerged as an economic powerhouse in the Caribbean region.
To be in India is to experience a way of life like no other. The high energy, the diversity, the rising skyline, the melting pot of religions, people and cultures, play out across the country, affecting each and every one of more than a billion citizens.

I was born in Calcutta and now live and work in Gurgaon – a suburb of the capital city, New Delhi. Of the many privileges that come with serving as EY’s Country Managing Partner, a particular highlight has been the frequent visits across our country; meeting our clients and teams, hearing their thoughts and insights. Theirs, much like the country as a whole, have been stories of optimism, tempered somewhat by the recent slow-down in growth. But this is now changing.

The results of India’s recent general election have left the country well placed to pick up the pace. With a clear majority and massive mandate handed to the Bharatiya Janata Party, it is clear that many hopes are pinned on the new government to provide the necessary stability and to not flinch from the bold policy decisions needed to bolster economic and industrial growth. It won’t be easy: a declining manufacturing sector, rising food inflation and falling investment are just a few of the challenges ahead. The fiscal inheritance also limits the options for economic stimulus. That said, India’s new Prime Minister, Narendra Modi, has successfully run the investor-friendly state of Gujarat and has a well-established reputation for market-friendly policies, speedy decision-making and administrative competence – qualities which any political leader in India requires in abundance.

That India has always been a long-term bet for global investors has never been in doubt, but the recent volatility in its performance had dented prospects, which the new government is now expected to rectify.
Fulfilling the potential

It’s clear, then, that our country replete with strengths and challenges.

It’s heartening, that our survey respondents believe that India will continue to enjoy solid growth and develop particular strengths in manufacturing and infrastructure. But while a growing middle class and rising per capita income levels will boost domestic consumption and helps drive economic growth, a few additional measures would lead to further improvement.

A key priority has to be to improve the effectiveness of the rule of law and reduce corruption. To enhance India’s appeal, it is very important to upgrade administrative procedures and increase accountability and transparency. Infrastructure, as always, is another priority. EY’s Infrastructure 2013 report suggests that these infrastructure bottlenecks reduce India’s GDP by at least 2% annually.

In the future, the country should adopt global best practices for infrastructure development, focusing on optimizing cost and energy efficiency.

Productivity, an area that needs urgent attention. Respondents highlighted a need to reform India’s complex labor laws and we believe that policy-makers should simplify and consolidate the disjoint pieces of legislation into a comprehensive code – one which is balanced between both employer and employee.

Like many other countries around the world – developed and developing – it is clear that more can be done to facilitate access to capital. Respondents to our survey also believe that improving access to finance is an important way for India to make its investment climate more appealing, as are reforms to the taxation system.

One way of doing this is by simplifying the procedure for paying taxes, but India should also progress to a growth-oriented tax system, in much the same way that FDI-related barriers have been eliminated over the last two years. India’s new Finance Minister, Arun Jaitley, has announced that restoring the pace of growth, containing inflation, and fiscal consolidation will be his focus areas. He should also consider taking some tough decisions on tax policy, such as doing away with the retrospective amendments to indirect tax provisions taken by the previous government which created a negative perception among the investors.

With the massive mandate from the elections and Narendra Modi’s reputation as a doer, there is hope that the much-needed Goods and Services Tax (which has been caught in political red-tape for almost a decade) will come into effect in due course. The Prime Minister’s intention to streamline the decision making process and introduce reforms to attract investment is also expected to help accelerate economic growth.

These proposals – balanced, achievable and realistic – would collectively help move our country forward at an even faster rate of progress. I remain excited and proud of what has already been accomplished, as everywhere I look in India I see signs of potential and promise.

Now is no time for complacency and this means that India needs to do more to promote its many strengths, as well as work upon weaknesses.

For example, India is set to benefit from a demographic dividend. UNCTAD estimates that the labor force in India currently stands at 497.7 million and is expected to rise to 556.8 million by 2020. India is also forecast to become one of the largest consumer markets in the world by 2025, with consumer spending likely to rise from US$900b (INR48.4t) today to US$3.6t (INR193.5t) by 2020, according to a report by the Confederation of Indian Industry. This growth, driven by factors such as the expanding middle class, rapid urbanization and improved access to credit, is set to boost demand and productivity.

In addition, India can also boast of the availability of an educated workforce backed by a strong education system. India’s education system is among the largest in the world, with around 1.4m schools, 700 universities and 35,000 colleges. The country also has the third-largest higher education system in terms of the number of enrolments, after China and the US.

Such strengths will clearly help draw in more investors, but it would be remiss not to highlight some of our weaknesses too. Transport and logistics infrastructure has long ranked high among concerns, and today it continues to be insufficient to support the 7%-8% growth expected in the future. Factories across the country frequently suffer power outages, making backup generators a necessity for businesses, thus adding to costs.

The operating environment, too, is also a cause for concern. Corruption delays, in approval, and complex fiscal and legal obligations discourage foreign investors from establishing a base in India.

Facts and figures

According to the United Nations Conference on Trade and Development (UNCTAD), India received US$28.2b in FDI inflows in 2013, an increase of 17% on 2012, despite some unexpected capital outflows. Global FDI recorded an 11% increase in the same period. India continues to be among the leading host economies for FDI. Quite impressive, especially when viewed against the economic slowdown; tepid GDP growth and a high fiscal deficit are hardly conducive to increased investment. The government’s proposal to bring down the deficit from 4.9% in 2012-13, to 3% by 2016-17, is certainly a step in the right direction.

But there is also the distinct recognition that more can be done. Reflecting this, Indian policy-makers passed some FDI reforms in the last two years, designed to boost foreign investment and generate employment. Broadly, the reforms work toward two main objectives: developing an automatic investment route (i.e., without prior government approval) and increasing FDI limits, in several sectors, such as petroleum and natural gas, and power exchanges, the government has allowed FDI through the automatic route. FDI limits have been raised in a number of sectors such as telecom, asset reconstruction and credit information companies.

Finding the winning edge

The competitive environment in which India now finds itself should, hopefully, help us all raise our game. Now is no time for complacency and this means that India needs to do more to promote our many strengths, as well as work on all weaknesses. Of strengths, there are many to report.

Now is no time for complacency and this means that India needs to do more to promote its many strengths, as well as work upon weaknesses.
My story, my views ...

I was born in Ethiopia. Growing up surrounded by abject poverty meant that, even at a very young age, I already realized my privilege. Both my parents were educated and we lived in a house that had power and access to water. When you grow up between such extremes, you are quickly forced to make a decision: either to be oblivious or to want to contribute toward making other people’s lives a bit better. Deep down, I always knew that I would be involved in some way in helping provide solutions for the challenges I saw all around me.

My lifelong interest in politics and policy was likely sparked when my family had to leave Ethiopia under dramatic circumstances. Ethiopia had gone through a bloody revolution and became a military dictatorship. While my parents had never, until then, anticipated leaving the country, the randomness of violence and political repression led to a feeling of loss of control; so we had to pack our bags. Even at that young age, I came to understand that politics can really impact people’s lives in such significant ways. Without warning, we had to leave our home, our friends and everything we knew in our country. The reason: politics and its ability to affect lives, both positively and, in this particular case, negatively.

Out of Africa

We moved to Kenya, where I spent my most impressionable years. For my last year of high school, I moved to California because my father wanted us to go to the United States for higher education. My undergraduate degrees were focused on business and marketing, but my interest in politics was always in the background. My first step into policy was working as an intern for Congressman Combest from Texas. What was initially a childhood curiosity was rapidly shaping into a career interest in the political world and, in particular, how the democratic system of the US worked. After graduation, a full-time position became available on Capitol Hill. At this time, I was not yet a US citizen but managed to get a job working on foreign policy and trade issues as a member of the legislative staff for another Congressman, Mac Thornberry. I served in this position for two years and was exposed to some really terrific people. I knew however, that I needed to go to graduate school in order to broaden my career options.

Immediately before graduate school, I had the opportunity to do a short summer stint at the UN’s World Health Organization in Geneva. This was a very useful experience, which opened my eyes to the great relevance of the UN and its agencies. At the same time, this summer job helped me to learn important things about myself: while I was working
on tuberculosis public policy, it became increasingly clear to me how much I preferred to work on more granular issues over larger macro policy issues. This insight would prove critical in a number of my future career choices.

A career kicks off in a new direction

For graduate school, I attended the Fletcher School of Law and Diplomacy in Medford, Mass. I really wanted to do something related to Africa but this proved difficult as I wasn’t yet a US citizen, and for many internships in the US Government, this was a prerequisite. I wouldn’t give up, however, and ended up spending long hours in the school library, arduously researching which US private sector organizations — with more flexible hiring policies — were pursuing interesting ventures in Africa that I could apply to.

I came across a company called WorldSpace, which was launching the first dedicated geostationary satellite for digital radio over the continent. I found this fascinating and immediately wrote them asking to take part in their internship program. They took me on that summer and offered me a full-time job when I graduated. WorldSpace owned XM Radio at the time, which they then spun off to focus exclusively on emerging markets. The company has gone bankrupt now. This took place long after my departure from the company and is a real pity, because WorldSpace’s founders had a bold vision, particularly at a time (the late 1990s) when few US businessmen were prepared to invest in Africa, and on such a large scale, using cutting-edge technology. WorldSpace took the gamble that radio would remain the communication medium most used in the developing world. For a number of reasons, this pioneering venture was somehow not meant to be. Some point to the pricing of the receivers, which may have been too expensive for the target market.

In any case, I was keen on moving more into the development space and so I took a job with Washington, DC-based International Executive Service Corps (IESC). IESC is, in some ways, similar to the Peace Corps but involves retired executives who decide to offer up their expertise on a pro bono basis in a variety of fields — water, engineering, power and so on — to help developing countries grow. The agency covers their costs — plane tickets and their living expenses — to avail people working pro bono on several projects to help developing countries move forward. I find this to be such an amazing idea that I am inspired to do something similar after I’ve retired: project-focused community service on a global scale.

While at IESC, I worked on a project funded by USAID in southern and eastern Africa and was asked by the client to manage the project directly for them using my own team. After some thought about the pros and cons of delving headlong into entrepreneurship, I decided to take the client up on their proposal. I hired two staff members and launched Trade Links, LLC. Launching my own company from scratch was daunting, but I thought it was too good an opportunity to miss. On the Africa side, we soon started to work with several clients in a variety of sectors, including agriculture-related projects, in different countries, who needed support in order to better export their goods into the United States. On the US side, I worked with clients such as the Hewlett Foundation, which was expanding the footprint of its trade policy work in Africa.

And then the phone rings ...

I was very much enjoying life in my growing company when I got a call from President George W. Bush’s White House to see if I would be interested in being considered for the US Executive Director position at the African Development Bank. While I was pleasantly surprised, I must admit this was quite an unexpected call. In addition, the fact that things were going well as we were bidding on projects with larger firms made me ponder, but for only for a split second. The African Development Bank is an institution for which I have always had a lot of respect and which was doing impressive work across the continent. The Bank’s President, Donald Kaberuka, someone I had admired from afar, was engineering an historic ramp up of the bank’s private sector portfolio in a manner that made me sense his far-sighted understanding of the central role of the private sector in the development of the African continent.

I went through the thorough US Government vetting process. In the end, and much to my satisfaction, the President’s nomination was confirmed. I accepted it wholeheartedly, even though it meant I had to dissolve my business. This was a big event in my life as it took me in a completely different direction. The US is a significant shareholder of the African Development Bank — in fact, it is the largest non-African shareholder and very much involved in the bank’s strategic direction. The timing of my move was fortuitous in more ways than one, as all this took place in 2008, just before the financial crisis. At the same time, we were starting to hear a lot more buzz about Africa, with more democracies and better stories emerging. 2007 had been the first year that FDI was bigger than development assistance to the continent, signaling a real shift. Although FDI fell below development assistance spending in 2009 — at the height of the financial crisis — it bounced back in 2010, and this positive trend is unlikely to reverse, as the gap between the two is only going to get bigger in my view.

After so many years of work on improving and “selling” Africa as an investment destination, it is deeply heartening to see the continent locked into a virtuous cycle of positive economic growth. As I look around me, I also see many people close to me literally pack their bags and move to Africa, reversing a stubborn trend in a manner that I never thought would happen in my lifetime. My own brother is running a successful advertising and communication agency in Ethiopia. He has moved there because he sees much more opportunity for himself and his family. This is novel.

On to OPIC ...

The Overseas Private Investment Corporation (OPIC) mobilizes private capital to help solve some of the world’s critical development challenges and, in doing so, help US businesses expand their businesses in emerging markets, including Africa. Over the past four years, our investments in Africa have gone up by 200%. Last year, for a brief period, Africa became the largest portfolio, overtaking Latin America for the first time in OPIC’s 40-year history. Latin America is the region where most US firms go when they invest abroad, but US firms are increasingly taking advantage of the huge opportunities in countries such as Nigeria, Ghana, Kenya and my country of birth, Ethiopia.

OPIC has been investing in Africa since 1972, and the organization is there for the long haul. Similarly, we are increasingly partnering with Africans in the US, the diaspora community, who are not necessarily packing up and moving back like my brother, but nonetheless see opportunities in their

I was born in Ethiopia ... Deep down, I always knew that I would be involved in some way in helping provide solutions for the challenges I saw all around me.
countries of origin or elsewhere in Africa. They are sophisticated, know the market and have a much better sense of what is going on, thanks to their family and other local links. They're not looking for a “quick buck” either, as they tend to have a longer-term perspective. This all moves me from being cautiously optimistic to gradually becoming bullish about the future of the continent.

The OPIC opportunity came about after another phone call. Just like many Americans, I was very taken by the momentous change embodied by President Obama and was therefore very interested in working for his administration. So, when the White House asked me if I would be interested in serving in the administration OPIC’s current CEO Elizabeth Littlefield reached out to me while I was in Tunisia and we had several great conversations. We found out that we both share a love for the continent and are committed to its development. We also found out that we had both grown up in Africa – she has lived and worked in Africa for more than two decades. Add to this the fact that she arrived with a great vision for what she wanted to accomplish at OPIC, with Africa being a big part of it, and it becomes obvious why I have felt so privileged to work alongside her.

This nomination required a Senate confirmation as well. My first such experience was very nerve-wracking: sitting down below the senators all high above you, the C-SPAN cameras and bright lights all zeroed in on you. At the same time, you are keenly aware that your whole family is watching and expect nothing but a successful hearing. So, it is intimidating, even if you know the issues. I was calmer the second time around, as I knew what to expect. The OPIC team and my family, including my son’s Spider-man toy cheering behind me, were very helpful.

But it was totally worth it, as it was an extraordinary four years. OPIC’s work is about people. Through the projects it finances, it continues to have huge impact, particularly for its size. Through the private sector investment and support, we’re working toward solving critical development problems such as lack of finance, lack of power or health care. There’s never a dull moment. OPIC is demand-driven and does about 100 deals a year but receives many more applications. Due diligence covers things such as environmental standards, and labor standards, and applicants have to be financially viable, as well as having a US investor in every transaction.

OPIC is also profitable every year; it does good while making returns for the taxpayers, which makes it one of Washington’s best kept secrets. What makes this happen is the fact that there is an incredible team at OPIC, exceptionally talented staff who wake up each morning excited about the mission of the agency. For me, that was the best part of my time here: the people of OPIC – from the interns to the board members.

Over the horizon

The role of the private sector in development is clear. OPIC is a great case study for that. I recently moved on from OPIC to new pastures, but I will always stay in development, in particular in Africa, through an even more focused private sector platform. This is in part because of my family connection, but also because I think Africa is the continent where we can do great things that can be really transformational over the next decade. There is a huge opportunity to create many jobs – youth unemployment is a ticking bomb and something that should keep every African leader up all night. I lived in Tunisia until a year before the Arab Spring and continue to feel that Tunisia’s revolution was much more about jobs than democracy. For all these reasons, I will move to Africa at some point soon – it’s where the action is.

If you ask me ...

I often tell people seeking career advice to start by thinking about what they would be willing to do for free. It is only when you are passionate about what you do that you can begin to gauge more accurately the size of your full potential and understand what drives you to excel. My suggestion to recent graduates is to never stop learning – I myself try and learn new things every day. Development, and the way we work in it and finance it, is lately changing at an even faster rate. Flexibility and willingness to try new things, as well as the understanding that each community is different, are the new keys to success. Innovation requires us to adapt our approach and customize it for each project – in other words, to approach each project on an individual basis.

My suggestion to recent graduates is never to stop learning – I myself try and learn new things every day.
Mexico is on the move. A series of economic and structural reforms are generating opportunities that have placed the country increasingly on the radar of global investors – and this process is only going to accelerate in the years to come.

Struggling against recurrent economic crises during the last century – high inflation, high interest rates and large fiscal deficits – Mexico has managed to reinvent its future by implementing profound changes in its economy to become one of the world’s most promising emerging markets. This transformation is rooted in a reduction of tariffs and import permits, increased financial transparency and liberalization of the economy. As a result, Mexico is now one of the most open economies to market, with over 12 trade agreements signed with 44 countries.

This commercial window represents a market of more than one billion consumers and plays an important role in international trade.

With a privileged location between the two great oceans, the Atlantic and Pacific, Mexico shares more than 3,000 kilometers of borders with the US – the world’s largest economy – and also a gateway to Latin America. Mexico is also ranked 20th in MIT and Harvard’s global Economic Sophistication Atlas, the highest position in Latin America and above India and Brazil. It is also third, behind Germany and South Korea in exports of medium and high technology as a proportion of GDP, according to the OECD.

Mexico’s geographic location has also helped propel it forward to emerge as one of the world’s leading exporters, 80% of which stems from the country’s manufacturing industry. Mexico’s exports have grown by more than 650% over the past 20 years and, over the past decade, it has also become the main trading partner of the US. Year on year, expansion of the country’s middle class has helped accelerate production of electrical appliances and automobiles and construction of new housing, all of which are enjoying significant growth.

Today, this emerging economy is fourth in exporting new vehicles worldwide and one of the leading suppliers of auto parts to the US. Mexico is also the sixth-largest supplier of the US aerospace industry and is the leading supplier of medical devices to the US. In the highly competitive global appliance market, it is also the largest exporter of flat screen televisions, second in refrigerators and fifth in computers.

The country’s demographics have helped strengthen its manufacturing capacity. With over 118 million people and two million square kilometers, Mexico will have the fastest-growing workforce in the coming years compared to other emerging economies. More than 115,000 engineers graduate from the country’s universities every year and, according to the official census, with an average age of 26 years, 47 million are part of the current workforce and more than 60 million will be part of the production base in 2030.

However, beyond the increased macroeconomic stability, a strengthened domestic market and consolidation of various production sectors, there continue to be significant challenges to overcome. With poverty reaching almost 50% of Mexico’s population, social inequality remains the primary cause of problems and the first challenge of the country. According to the OECD, Mexico is the country with the lowest tax revenues of its peers, 19% of GDP. This compares with countries such as Denmark (48.1%), Sweden (44.5%) and Belgium (44%).

Effective tax reform is therefore essential. To resolve the high levels of inequality and sustain a consistently high rate of growth, increase productivity and improve efficiency in various economic fields, Mexico has had to deepen ambitious structural reforms that involve substantial changes in labor, education, telecommunications, energy, finance and public financial management. It is too early to assess the outcome of this reform package fully, but the forward direction is encouraging. Several economic analysts have predicted that Mexico will be one of the world’s largest economies by 2025, and the enduring success of these reforms will be crucial to meet this forecast.

For example, in the energy field, Mexico has vast reserves of oil and gas and is the 9th-largest producer and 13th-largest oil exporter in the world. Approximately one-third of government revenue comes from oil-related activities. Reforms will enable the opening up of Mexican oil exploration and production to greater competition from private companies, leaving the oil sector well placed to become Mexico’s key growth driver.

Another important reform is in the telecommunications sector, where the flow of foreign and domestic investment set to reactivate and facilitate universal access. With a relatively low penetration in the mobile market, there are a lot of opportunities for growth, particularly in rural areas of the country, which could provide a major boost to mobile uptake. We expect to see significant expansion in the coming decade, which could leave mobile broadband as the main engine of growth in the market.

In addition to the energy and telecommunications sectors, EY has identified many more opportunities for Mexico’s economic development. In terms of cultural wealth, the country is sixth in the number of world heritage sites. It is also one of the top 10 most popular destinations in the world to visit; tourism accounts for 9% of GDP and generates 2.5 million direct jobs.

Thinking about the future of Mexico is an exciting, complex and time-consuming task. This changing era is called the “Mexican Moment” and it is a time where a positive future is possible and in our own hands. The future does not belong to those who wait, but to those who create their own future, and Mexico, a country of contrasts, is creating its own.
Development: why EY?

► International development is a priority for EY. We have been working with development partners for more than 25 years and are passionate about our work – for many of our people, it is not a job, but a way of life.
► 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 a project.
► Metrics are in our DNA. As a fact-based organization, we are aligned with the need for accountability, measurement and evaluation of our work, which is an increasing focus for development partners.
► We are the most globally integrated professional services organization in the world and possess a deep understanding of developing markets. This means that our clients have access to international leading practices enhanced by on-the-ground knowledge and insight.
► With more than 175,000 people and 700 offices in 150 countries, our teams live and work in developing nations around the world. We remain a leading organization in the private sector business community and recognize that our success hinges on sustainable economic development.

For more information, visit ey.com/international-development.

Contacts

Asia-Pacific

Mildred Tan
Singapore
+ 65 6309 8200
mildred.tan@sg.ey.com
Bill Banks
Sydney
+ 61 2 9248 4522
bill.banks@au.ey.com
Lynn Tho
Singapore
+ 65 6309 6688
lynn.tho@sg.ey.com
Zaqy Mohammed
Singapore
+ 65 6309 6568
zaqy.mohamed@sg.ey.com

Middle East and North Africa

Nelson Jorge
Jordan
+ 962 6 580 0777
nelson.jorge@jordan.ey.com
Abbas Ali
Pakistan
+ 92 300 316 172
abbas.ali.pk@ey.com
Aqueel Merchant
Pakistan
+ 92 300 316 172
aqueel.merchant.pk@ey.com

India

Siddharta Das
India
+ 91 124 612 1202
siddharta.das@in.ey.com
Guru Malladi
India
+ 91 124 671 4188
guru.malladi@in.ey.com

Africa

Joe Cosma
South Africa
+ 27 11 772 5416
joe.cosma@za.ey.com
Baldy Dlenq
Senegal
+ 221 33 849 2204
baldy.dlenq@sn.ey.com
Laban Gathungu
Kenya
+ 254 20 271 5300
laban.gathungu@ke.ey.com
Adekunle Salau
Nigeria
+ 234 1 46 304 79 80
adekunle.salau@ng.ey.com
Lindsey Domingo
Democratic Republic of the Congo
+ 243 999 306 868
lindsey.domingo@cd.ey.com
Djabanor Narh
Ghana
+ 233 21 772 088
djabanor.narh@gh.ey.com
Julius Nqọnqa
Kenya
+ 254 20 271 5300
julius.ngonqo@ke.ey.com
Brunhilde Barnard
South Africa
+ 27 11 50 2 0255
brunhilde.barnard@za.ey.com

Europe

Alessandro Cenderello
Belgium
+ 39 066 7535 531
alessandro.cenderello@be.ey.com
Dave Read
UK
+ 44 20 7980 0550
dave.read@uk.ey.com
Michael Cupit
UK
+ 44 20 7951 7167
michael.cupit@uk.ey.com
Maryam Hussain
UK
+ 44 20 7951 0188
maryam.hussain@uk.ey.com

Brazil

Charles-Antoine St Jean
Canada
+ 1 613 998 4302
charles-antoine.st-jean@cd.ey.com
Cláudia Valenzuela
Brazil
+ 55 12 104 0113
claudia.valenzuela@br.ey.com

Canada

Olaf Smulders
US
+ 1 202 327 7161
olaf.smulders@ey.com

Latin America

Carlos Gallegos
Costa Rica
+ 506 2208 9892
carlos.gallegos@cr.ey.com

Netherlands

Dexippos Agourides
Belgium
+ 32 2 774 9111
dexippos.agourides@be.ey.com

UK

Ioanna Kokkinou
Greece
+ 30 210 288 6278
ioanna.kokkinou@gr.ey.com

US

Charles-Antoine St Jean
Canada
+ 1 613 598 4302
charles-antoine.st-jean@ca.ey.com

Asia

Olesya Melnyk
Ukraine
+ 380 44 910 3046
olesya.melnik@ua.ey.com

US

Michael Beaulieu
+ 1 703 747 1819
michael.beaulieu@ey.com

United Kingdom

Marc E. Andersen
US
+ 1 703 747 0825
marc.andersen@in.ey.com
Cherie Anne Failla
US
+ 1 202 327 7022
cherie.failla@in.ey.com
Dan Kaplan
US
+ 1 212 773 7910
daniel.kaplan@in.ey.com
Michael Beau lieu
US
+ 1 703 747 1819
michael.beaulieu@in.ey.com
Olaf Smulders
US
+ 1 202 327 7161
olaf.smulders@ey.com

Development: why EY?

► International development is a priority for EY. We have been working with development partners for more than 25 years and are passionate about our work – for many of our people, it is not a job, but a way of life.
► 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.
► Metrics are in our DNA. As a fact-based organization, we are aligned with the need for accountability, measurement and evaluation of our work, which is an increasing focus for development partners.
► We are the most globally integrated professional services organization in the world and possess a deep understanding of the complex challenges faced by business and government in developing markets. This means that our clients have access to international leading practices enhanced by on-the-ground knowledge and insight.
► With more than 175,000 people and 700 offices in 150 countries, our teams live and work in developing nations around the world. We remain a leading organization in the private sector business community and recognize that our success hinges on sustainable economic development.

For more information, visit ey.com/international-development.
CHANGING THE WORKING WORLD IS A LONG-TERM PROJECT. BUT WE’RE STARTING TO LAY THE FOUNDATIONS.

Discover how we’re building a better working world.

For more information, visit ey.com.