Advancing Australia

Peter Shergold on pioneering public service reform

Transforming Trinidad and Tobago
Lessons from a quiet revolution

Times are changing
Megatrends on the move

Gathering pace
Europe back in the game
Welcome to Citizen Today, EY’s magazine for our government and public sector clients around the world. This is our 18th edition. Along the way we’ve interviewed more than 100 leaders from across the globe and offered our insights on the big issues affecting policymakers, but this is my first as Managing Editor and as EY’s new Global Government & Public Sector Leader.

As part of my move to EY, I have relocated from Dubai to Washington, DC, after spending the last nine years living and working in the Middle East and Africa. While the opportunity to live and work in cities of such global stature as Dubai and Cairo was a huge privilege, it also afforded me the opportunity to observe that governments in both rich and poor countries often face the same challenges, such as unemployment, management of public finances, and digitization. In 2013, 47% of the population of the developing world was under the age of 25, according to the UN, and governments were finding it increasingly difficult to generate enough economic growth to absorb their youth into the workforce. But unemployment is an issue that is also affecting nearly all OECD countries. For example, Spain’s unemployment has hovered at about 25% over the past three years.

Similarly, both rich and poor countries are facing intensifying scrutiny around the management of their public finances. Given limited resources, governments in poor countries must ensure that their investments are generating economic growth while also providing a safety net for the most vulnerable in their population. Governments in rich countries that have engaged in deficit spending to spur growth following the 2008 financial crisis are also suffering the consequences. For instance, the EU’s public deficit increased from 0.9% of GDP in 2007 to 3.3% in 2013.

Finally, governments in both rich and poor countries are tackling the challenges of digitization. Poor countries need it first and foremost to increase transparency, while rich countries are using it to improve service delivery to citizens. Such similarities — of which there are many — serve to remind us that ours is indeed a small planet, one where solutions developed in one country can often benefit another.

It’s an argument set out in more detail in this edition by Uschi Schreiber, my predecessor as EY’s Global Government & Public Sector Leader, who examines how global megatrends are changing the way we work, govern and live. One region that has undergone immense change in recent years is Europe. Now starting to finally break free from the grip of recession, European policymakers nonetheless have more to do to safeguard sustainable prosperity, according to the findings of EY’s latest European attractiveness survey — a point echoed by the political and business leaders we speak to about Europe’s future.

The future is likely to be shaped increasingly by the deployment of behavioral economics and insights, according to our interviews with Peter Shergold and David Halpern, Shergold, the former top civil servant in Australia, and Halpern, who has a pivotal government role in the UK, have long recognized the importance of understanding how people respond to different contexts and incentives in order to design and implement better policies and services. EY’s Gautam Jaggi agrees, and he sets out how the health care sector is poised for transformational change.

Such accelerated changes are not confined to health, however. We also hear from Trinidad and Tobago’s Minister of Public Administration, Carolyn Seepersad-Bachan, who is overseeing a huge program of reform across government operations. The education sector falls under our spotlight thanks to an interview with leading French academic Frédéric Mion, who tells us about the impact of intensifying international competition, scarce public funding, and digital technologies.

As services and operations evolve, there is inevitably an element of risk involved. EY’s Linda Springer explains how policymakers should embrace enterprise risk management to achieve stronger results. In our Building a better working world column, we explain how major events can lead to transformational change for host cities and their citizens. Finally, we also report on EY’s latest thought leadership and take a look at Brazil and EY’s rapidly expanding presence.

I hope you enjoy this edition, which you can access by downloading our app to your compatible mobile devices. Please remember that this is very much your magazine. It is crucial our issues and challenges that matter to governments around the world, irrespective of their size or geographic location. Please do not hesitate to contact me as I’d love to hear your feedback and ideas. I look forward to hearing from you.

George Atalla
Global Government & Public Sector Leader
gorge.atalla@ey.com
@EY_GovtPublic
ey.com/government
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 learn 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 private 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.
EYG no. XXXXXX
CSG/GSC2014/1410450
ED None

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.

Please visit Citizen Today’s website at ey.com/citizentoday

In conversation
A life in the arena
Australia’s Peter Sherold has spent his career in senior roles across government, business and academia. He tells us about his experiences and the increasing importance of behavioral economics in public services.

Made in Britain
Dr. David Helpren has helped the UK Government lead the way in deploying behavioral insights to shape policy reform. He tells his story.

An education evolution
Frédéric Mon takes time out from leading one of France’s top universities to tell us about the impact of increasing international competition and digital technologies on higher education.

Voices of Europe
A range of senior European leaders set out their views on how to keep Europe moving forward.

A tale of transformation
Trinidad and Tobago is in the process of implementing a huge program of reform across its government operations. We hear from its Minister of Public Administration, Carolyn Seepersad-Bachan, about lessons learned and ambitions fulfilled.

EY | Assurance | Tax | Transactions | Advisory

Building a better working world
Continuing our series about how we are helping build a better working world, we explain how major events can lead to transformational change for host cities and their citizens.

The production line
A look at recent thought leadership from EY.

Spotlight on Brazil
Introducing EY’s Government & Public Sector Services in Brazil.

We meet...
We talk to Jim Costanzo, EY’s Global Government & Public Sector Head of Health.

Features
Nudging healthy behaviors
Health care systems are undergoing huge change, with a new outcome-based structure fast emerging, says EY’s Gautam Jaggi.

Trending times
EY’s Uschi Schreiber sets out how global megatrends are changing the way we work, govern and live.

Understanding risk, improving performance
EY’s Linda Springer outlines how policymakers can overcome risk in order to achieve the best possible results.

competing, attracting, growing...
Although Europe is regaining strength after years of recession and austerity, more needs to be done to safeguard continuing foreign investment, says EY’s Marc Lhermitte.

Competing, attracting, growing...

In conversation

Building a better working world

The production line

Spotlight on Brazil

We meet...

Please visit Citizen Today’s website at ey.com/citizentoday

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 learn 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.
EYG no. XXXXXX
CSG/GSC2014/1410450
ED None

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.

Please visit Citizen Today’s website at ey.com/citizentoday

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 learn 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.
EYG no. XXXXXX
CSG/GSC2014/1410450
ED None

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.

Please visit Citizen Today’s website at ey.com/citizentoday

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 learn 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.
EYG no. XXXXXX
CSG/GSC2014/1410450
ED None

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.

Please visit Citizen Today’s website at ey.com/citizentoday

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 learn 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.
EYG no. XXXXXX
CSG/GSC2014/1410450
ED None

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.

Please visit Citizen Today’s website at ey.com/citizentoday

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 learn 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.
EYG no. XXXXXX
CSG/GSC2014/1410450
ED None

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.

Please visit Citizen Today’s website at ey.com/citizentoday

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 learn 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.
EYG no. XXXXXX
CSG/GSC2014/1410450
ED None

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.

Please visit Citizen Today’s website at ey.com/citizentoday
A career spanning more than four decades has left Professor Peter Shergold equally at home in a university lecture hall, company boardroom or ministerial meeting. His roles — too numerous to list in full here — have included serving as Australia’s most senior public servant between 2003 and 2008, as Chancellor of the University of Western Sydney and on a wide range of private, public and community sector boards. As CVs go, it’s one with few equals.

And yet it emerges that government service was hardly a lifelong calling. “I was quite happy as an academic,” he admits. Having moved to Australia from his native England in 1972, he took up a role as a lecturer at the University of New South Wales, becoming head of the university’s economic history department in 1985. Two years on, however, his direction of travel was altered by a phone call from the government.

“I was asked by the Prime Minister to set up a new organization called the Office of Multicultural Affairs, which would be located within the Prime Minister’s Department,” recalls Shergold. “I thought it would be an interesting opportunity for a couple of years but when I was in the Australian Public Service, I discovered that, for all the problems and challenges, I much preferred being directly involved in the making of public policy, rather than merely commenting on it.”

“A question of risk”

Looking back, Shergold is firm in his belief that senior public servants in Australia do not lack for personal qualities — “they are extraordinarily good and talented people who have made a decision that they want to work in the national interest and that’s incredibly positive.” However, he goes on to say that often they are limited by a cultural inertia that works against doing things differently. “The difficulty with working for government is that, in my view, there is a greater level of risk aversion.”

This means that it is much harder to innovate and trial new ways of delivering public services. “Even when we do innovate, like when we introduced the first wave of outsourcing in Australia, the danger is you only seize half the opportunity. We limited reform to something transactional (contractualism) rather than something transformational (co-production).”

Asked why this is the case, Shergold points out that there are significant limits on policymakers and politicians, unlike their counterparts in the private sector. “If you are in government, you always have a ‘shadow board’ in the form of the opposition party,” he says. “You operate within an environment of fierce political contest and consequently you are cautious about what criticisms opposition parties can pursue in the public arena. That’s different from the private sector. Nevertheless, government needs to be persuaded that if it keeps on doing what it always did, then it will keep on getting the same results that it always got. Public innovation can be achieved but there is a level of political risk aversion and bureaucratic sclerosis that has to be overcome.”

“Times are changing”

For Shergold, the delivery of good government often comes down to understanding the behavioral impact and the behavioral frictions inherent in any policymaking environment. If they do so, reforms are more likely to occur. “What’s happening now is that whilst governments are risk averse, they also face such extraordinary financial challenges that they are being forced, with support from the public service, to be more creative,” he says. “Levels of trust in democratic governments are decreasing. Citizen expectations are not being realized. Costs are increasing faster than revenues. In providing the necessary safety net of the welfare state, we have ended up creating ‘an age of entitlement’ and middle-class subsidy.”

Cracking this conundrum is not easy, he believes, but the application of behavioral economics is pivotal in helping get past this impasse. “There is an increasing resentment by citizens against unnecessary state interference in their private behavior,” he says. “We know the reasons for intervention — there are huge public costs as a result of their lifestyle decisions – but, nevertheless, there is pushback against perceived over-
The key danger to overcome is to ensure that public servants don’t view the commissioning of government delivery, citizen-directed services and behavioral economics as separate elements of reform. "My view, based on experience in the public and private sector, is that there tends to be a greater appetite for risk – and then managing that risk prudently – in the private sector." is inevitably a great deal of serendipity. I moved around a lot, from indigenous affairs to employment and from education to industrial relations. The chances never seem to occur at a convenient time – there they also work with local authorities, charities, NGOs, private sector partners and foreign governments to develop proposals and test them empirically across the full spectrum of government policy. Halpern is no stranger to Whitehall’s corridors of power. A former Cambridge University social psychology lecturer, he served as Chief Analyst in Tony Blair’s Strategy Unit when he was the UK’s Prime Minister. Asked why the UK has led the way in behavioral insights, he says that a number of factors – both political and administrative – came together at the right time. “After the 2010 General Election, the new coalition government was keen to change. Take the UK’s Behavioral Insights Team (BIT), for example. This team of 30 is driving big change from small steps, applying research from the field of behavioral economics across government to start effecting its director, Dr. David Halpern, is clearly a man on a mission. “Our work is about a different way of doing policy,” he says. “If we can improve every little detail – every form, every transaction, every service – a few percent every year then, over time, it will be a real game changer for governments everywhere.” A good example is his team’s work on tax collection. Targeting late payers on tax forms, they added a single line to a letter that said most people in their local area had already paid their tax. A small change, yes, but one with big results: the payment rates increased by 15%. When these pilots are rolled out by government departments, it is easy to see why Halpern believes the potential savings run into “billions of pounds” – a result that would make any government take note, let alone those looking to implement efficiency savings and spending cuts.

Beginnings
Halpern’s team began work in 2011. Set up to “help people to make better choices for themselves,” their work is underpinned by the theory that human behavior can be influenced by approaches such as gentle prompting or “nudging” and is not limited to government; they also work with local authorities, charities, NGOs, private sector partners and foreign governments to develop proposals and test them empirically across the full spectrum of government policy. Halpern is no stranger to Whitehall’s corridors of power. A former Cambridge University social psychology lecturer, he served as Chief Analyst in Tony Blair’s Strategy Unit when he was the UK’s Prime Minister. Asked why the UK has led the way in behavioral insights, he says that a number of factors – both political and administrative – came together at the right time. “After the 2010 General Election, the new coalition government was keen on finding new ways and new angles to consider policy problems,” he recalls. “This coincided with the need to make substantial savings and a general instinct toward solutions that were not focused on regulation or mandates. The administrative side was also getting behind it. The UK’s top civil servant at the time, Sir Gus O’Donnell, was also very enthusiastic. He had a strong economics background and was intellectually interested in its potential.” It also helped that this was occurring at the same time as the UK, much like many other countries around the world, was grappling with the immediate legacy of the global financial crisis. “The crisis had shown not just a general failure but a much wider failure of economic models and thinking,” Halpern points out. “Most analyses had a behavioral element in terms of market contagion, risk and the assumption that markets would behave in a rational way. There was also a palpable set of failures that had been going on since 2008 in terms of conventional economic thinking and how you regulate markets. Sir Gus had very much been in the middle of that and it formed a very powerful backdrop that prompted lots of interesting questions with not many answers being available. So, we were able to set up a small, central operation with real backing – a lot of other countries hadn’t had that same level of support from the center.”

"Some words of advice
Shergold’s current primary role is as Chancellor of the University of Western Sydney, a position he has held since 2011, and he is keen to stress that academics can have a positive role in helping policymakers move forward in the application of behavioral economics and insights. “I think the key danger to overcome is to ensure that public servants don’t view the commissioning of government delivery, citizen-directed services and behavioral economics as separate elements of reform.”

Lucille Halloran is EY’s Managing Partner in Canberra, Australia.
Lucille.Halloran@au.ey.com
The need for behavioral economics is perhaps greatest in health care, says EY’s Gautam Jaggi. With chronic diseases threatening already-strained funding systems, governments and insurers are realigning incentives to drive behavioral change.

Health care is about to undergo a historic shift, and it will be driven by behavioral change. To understand the magnitude of what lies ahead, consider that there have been two major advances in health outcomes in human history. The first was improved hygiene, which led to huge reductions in illnesses and infections. The second big wave, which we’ve been riding for the past few decades, has been breakthrough drugs and medical devices. These have wiped out some diseases (smallpox), taken others to the brink of extinction (polio) and transformed still others from death sentences into manageable chronic diseases (HIV).

Ironically, we are now at a point where we are becoming victims of our own success. The success of breakthrough drugs in increasing longevity has indirectly contributed (along with changing lifestyles) to a growing epidemic in chronic diseases that has worrying repercussions for governments and their thinly-stretched budgets. Already, chronic diseases account for about 75% of health care costs. And while genetic and environmental factors contribute to chronic diseases, behavioral factors play a huge role. The next big advance in health outcomes will therefore have to come from behavioral change.

This behavioral change revolution is being accelerated by the confluence of three catalyzing trends. The first is changing incentives. To bring costs under control, governments and insurance companies are moving away from fee-for-service (e.g., paying doctors for the number of operations they conduct) and toward pay-for-performance (e.g., paying doctors for how much they improve the health of their patients).

The second catalyst is the rise of new technologies that empower patients and leverage real-time information – mobile apps, sensors, social media. These platforms connect patients and doctors, enabling better prevention and real-time disease management, all of which are much cheaper ways of containing chronic diseases.

The third catalyst is the widespread acceptance of behavioral economics. Although the discipline has been around since the 1970s, when Daniel Kahneman first started publishing in the field, it has only come into vogue in a big way over the past decade. For the first time, policymakers and others are designing “nudges” based on biases in human behavior.

The interplay between these three catalysts has some unique implications for the use of behavioral economics in health care. For one, they support each other and are mutually reinforcing: behavioral economics can make sure that new incentive structures are as effective as possible, while mobile technologies can effectively track patients’ behavior and give them real-time feedback on their actions. A second implication is that, while behavioral economics has typically been used by companies in many industries to entice consumers to make bad decisions (e.g., pricing or advertising products in ways that entice us to make impulse purchases or consume junk foods), health is one sector in which the incentives are now aligned so that the private sector is motivated to nudge people to make good decisions. As governments and insurance companies change incentives, companies across the health ecosystem – hospitals, pharmaceutical enterprises, medical device manufacturers, and others – will increasingly find themselves in the health outcomes business. In this world, they will make more money by nudging individuals to make healthy decisions than by getting them to make unhealthy ones.

In today’s challenging times, governments across the world are grasping with budgetary constraints. But the budget problem is often really a health care cost problem – health care costs have been outpacing inflation in many markets and, if unchecked, threaten to cannibalize other spending priorities. And, as already discussed, the health care cost problem is really a behavioral change problem, since chronic diseases drive the vast majority of health care costs.

To address their fiscal challenges, what policymakers really need therefore, are new solutions to get people to adopt healthy behaviors. At a time when incentives are being redrawn, private enterprises could be an important part of the solution, because for the first time, everyone’s interests are aligned around nudging individuals toward healthy behaviors.

In today’s challenging times, governments across the world are grasping with budgetary constraints. But the budget problem is often really a health care cost problem – health care costs have been outpacing inflation in many markets and, if unchecked, threaten to cannibalize other spending priorities. And, as already discussed, the health care cost problem is really a behavioral change problem, since chronic diseases drive the vast majority of health care costs.

To address their fiscal challenges, what policymakers really need therefore, are new solutions to get people to adopt healthy behaviors. At a time when incentives are being redrawn, private enterprises could be an important part of the solution, because for the first time, everyone’s interests are aligned around nudging individuals toward healthy behaviors.

Intensifying international competition, scarce public funding, and digital technologies heralding a new era of teaching have left universities around the world facing increasingly complex challenges. With France being no exception, one of its top academics, Frédéric Mion, tells EY’s Arnauld Bertrand about his university’s future direction of travel.

Paris: “City of Light,” capital of France and home to diverse, eclectic neighborhoods such as Saint-Germain-des-Prés, located deep in the heart of the city. Boasting not only the National Assembly and numerous French Government Ministries within its borders, this district is also home to the Paris campus of Sciences Po, one of France’s most prestigious universities.

Don’t take my word for it – its illustrious alumni include three of the four most recent French presidents, including the current inhabitant of the Elysée Palace, François Hollande, a former United Nations Secretary-General and several foreign heads of state and prime ministers. Since its creation in 1872, nearly every French politician, diplomat or business leader has attended one of its many campuses spread across France but its Director, Frédéric Mion, is not resting on any laurels. With 46% of its students of international origin, the university under his leadership is moving beyond France to strengthen its worldwide network and increase investment in research to preserve its global standing.
Going global
French universities have long enjoyed worldwide renown: a total of 35 were recognized in the 2012/13 edition of the QS World University Rankings, 22 of which were in the top 500. Sciences Po, which specializes in humanities and the social sciences (law, history, economics, political science and sociology), is now in an increasingly competitive and globalized market for the best students, teachers, researchers and funding, says Mion. “Students’ range of opportunities have no boundaries anymore,” he says. “We can no longer be content with our reputation within the French educational system if we want to attract the best talent. Besides, only a minority of French institutions do not consider an international focus to be a core strategic priority.”

In addition to increasing international competition, French universities have been forced to reconsider their financial system. Historically, public funding represented the vast majority of university budgets in France. In the wake of the economic crisis, however, government cuts have put serious pressure on universities and forced proposed changes and structural reforms center stage.

Anticipating these trends, Sciences Po diversified its funding sources earlier than other universities in France. Consequently, its budget rose to €173 million in 2013 – a 150% increase since 2000 – with public funding representing only half, compared to an average of 87% in other institutions. However, when looking across borders, it is clear that others enjoy far greater financial resources. “There is no possible comparison between our financial structure and those of top American universities and, to a lesser extent, a handful of British universities,” says Mion. “They rely on much higher tuition fees and alumni donations and their resources are easily portable, accredited from one country to another.”

Digital revolution
In our interconnected world, one which is underpinned by a digital ecosystem that already supports 10 billion connected devices, it should come as little surprise that the rapid advances of technology are also leading to profound change across higher education systems in France and around the world. Today’s students are now cloud and device connected and, accordingly, we expect the educational institutions they attend to be similarly linked.

“Many areas of human activity have already been, or are in the process of being, radically disrupted by this revolution,” says Mion. “It has altered the way we interact with each other and with our environment, and massively changed our relationship with knowledge and ways of sharing it. By making knowledge accessible to all at any time, digitalization has profoundly changed the relationship between students and teachers, forcing the latter to review their teaching methods. However, their knowledge and personal experience remain key elements of their legitimacy that could never be replaced by the internet.”

Since its early stages, digital technology has been at the forefront of Sciences Po’s academic programs. The school set up e-courses in 2009 and in 2014 has positioned itself for the production of MOOCs (Massive Open Online Courses), which are aimed at unlimited participation and open access via the web. In this fast-changing environment, Sciences Po is nonetheless staying true to its origins, says Mion. “It has altered the way we interact with each other and with our environment, and massively changed our relationship with knowledge and ways of sharing it. By making knowledge accessible to all at any time, digitalization has profoundly changed the relationship between students and teachers, forcing the latter to review their teaching methods. However, their knowledge and personal experience remain key elements of their legitimacy that could never be replaced by the internet.”

Meeting international expectations
Sciences Po’s first priority as set out in this document is to become a global leader in higher education and research. The creation of a campus similar to the UK’s Oxford University in the very center of Paris is one of the main priorities. With this in mind, it is currently planning the acquisition of 14,000 m² of a facility previously used by the Ministry of Defense and situated next to its current main campus sites: a facility, the Hôtel de l’Artillerie. This acquisition would enable the university to unite all its research centers, which are currently split across 20 different sites, as well as creating several work areas for students and even some on-campus student housing.

The recruitment of academics is another important lever used by the university to extend its international presence, and plans are afoot to expand its team of 220 researchers and teachers. “Academic resources, research results and publications are major metrics for ranking,” explains Mion. “There is no other alternative for us if we want to promote our institution on an international scale as we need to enlarge our community and recruit high-profile academics.” This will, in turn, strengthen the international reputation of its bachelor degree and encourage students to consider options for further study.

The second line of action aims to open up access to the professional world by strengthening relations between students and practitioners. To this end, three additional professional schools will be created by 2016: a School of Public Affairs, a School of Urban Studies and a School of Economics and Management, all of which will seek to attract students from France and further afield. These new additions will operate alongside the School of Journalism, the School of Communication, the Law School and the School of International Affairs. “These schools create coherence and cohesion around one field and allow us to unify our research teams, external practitioners and specialists who teach here,” says Mion. Sciences Po also aims to develop one-year intensive programs to meet the needs of young professionals by offering the type of executive education already available in business schools, as well as a new doctoral program to respond to the increasing demand of professionals who want to complete a doctoral thesis.

Socially responsible
And last but not least, Sciences Po is seeking to maintain its pioneering role in social responsibility, particularly by further expanding its commitment to greater social diversity. It has implemented a pioneering program which invites high schools in deprived areas of France to become partners and put forward their most promising students. “The program has been proven successful: each year 10% of our students are recruited through this channel,” says Mion. “On average, 30% of Sciences Po’s scholarship students are scholarship students, whereas they represent only 10% to 15% of the student body in top French business and engineering schools and 20% to 25% in top Parisian universities.”

Sciences Po also wants its entire community to develop a strong culture of civic commitment and participation in public debate, a good example of which is the planned organization of a series of activities around the Paris 2015 Climate Conference. As it heads toward its 150th anniversary in 2022, the university is clearly well placed to continue its ongoing mission to open up new horizons for the generations of today – and tomorrow.

"By making knowledge accessible to all at any time, digitalization has profoundly changed the relationship between students and teachers."
Whether we like it or not, global megatrends are in the process of changing the way we work, govern and live, says EY’s Uschi Schreiber. The task now is not to flinch from them but instead tackle these changes head on.

Trending times

Whether we like it or not, global megatrends are in the process of changing the way we work, govern and live, says EY’s Uschi Schreiber. The task now is not to flinch from them but instead tackle these changes head on.

I
can often be difficult when in a busy, high-pressured job to look up and take stock. I have served in a number of leadership roles in the Australian Government, including as a Director General and Deputy Director General of large departments, and I remember how there often seemed to be precious little time to pause for breath, let alone analyze how the world around the organization was increasingly changing.

But the world has changed and continues to change, often rapidly, and often in ways that are not always obvious. But nonetheless, these changes, or “megatrends,” are reshaping business, economics and governments around the world. So, how can public service leaders harness these changes and set new standards of innovation, responsiveness and quality in public service?

Buckle up

From our conversations with government leaders around the world, we have identified six global trends that I believe require responses and adjustments from policymakers now and over the next five to ten years. They are complex, occur simultaneously and globally and are already transforming our lives.

The first is the emergence of deeply interconnected global economies – we have seen this illustrated during the global financial crisis and the ensuing turmoil in parts of the European Union – and the effect on mature market economies of the downturn in the emerging markets. There is no doubt that globalization has had a profound impact on governments. They are now much more connected than before and understand that solutions to today’s problems must be coordinated and move beyond the scope of economic performance – as we can see from the ever expanding G20 agenda.

 Governments – and senior public servants – need to find new ways of leading, using knowledge from one part of the world and applying it to their own contexts.

The second trend is the shift from west to east, which is resulting in a completely different economic and political balance in the world. This includes a shift in influence, development and innovation from wealthy Western countries to fast developing Eastern nations, from countries and governments to private players and even from politically dominated systems to more market dominated systems. By 2019, the seven emerging economies (E7) – China, India, Brazil, Mexico, Indonesia, Russia and Turkey – are expected to form a larger economic bloc than the developed G7 countries.

The third trend is mass communication. Billions of people are now connected across our planet via platforms such as email, SMS, social networks and multiplayer games. They share their feelings and ideas, have access to more information than ever before, they learn new things on a daily basis via the internet, use technology to influence political decision making, build coalitions and interest groups and establish whole new forms of businesses.

 And it is not just people who are connecting via the internet. There are projections that by 2020 there will be 50 billion devices exchanging information on a continuous basis without human involvement. Increasingly, we will use robots and other intelligent devices not just to perform manual tasks but to complete discrete mental tasks. This will revolutionize the way we think about intelligence on this planet. This is no longer the stuff of science fiction – this is reality now.

The fourth trend is one of growth: of populations, of people who are 60 years of age and above, of young people, of mega cities (cities with more than 10 million people), of markets and of pollution.

The fifth trend is the impact of climate change. Globally, temperatures are expected to rise by 3°C by 2050, resulting in food shortages as land under agriculture decreases owing to rising water level and desertification. The economic impact of global warming costs the world more than US$1.2 trillion per annum today, wiping 1.6% annually from global GDP. The US alone had more than 14 climate- and weather-related disasters in 2011, each costing the country around US$1 billion. Europe will need to spend US$3.8 trillion (or 25% of its annual GDP) over the next 10 years to satisfy the demand for low carbon technologies.

Finally, the sixth trend is the emergence of powerful new biochemical, biological and genetic technologies which will enable us to do things never thought possible before, including devising new means of clinical and other interventions. These powerful technologies – ranging from agricultural biotechnology, to biopharmaceuticals to industrial biotechnology – have the potential to give us active control over evolution and will force us to confront long held ethical and moral beliefs.

Diversity in leadership and decision-making is now crucial to delivering effective government services and economic competitiveness. This requires nothing less than a cultural transformation across the public and private sectors.

Governments – and senior public servants – need to find new ways of leading, using knowledge from one part of the world and applying it to their own contexts.

Diversity in leadership and decision-making is now crucial to delivering effective government services and economic competitiveness. This requires nothing less than a cultural transformation across the public and private sectors.

Diversity in leadership and decision-making is now crucial to delivering effective government services and economic competitiveness. This requires nothing less than a cultural transformation across the public and private sectors.

Diversity in leadership and decision-making is now crucial to delivering effective government services and economic competitiveness. This requires nothing less than a cultural transformation across the public and private sectors.

Diversity in leadership and decision-making is now crucial to delivering effective government services and economic competitiveness. This requires nothing less than a cultural transformation across the public and private sectors.

Diversity in leadership and decision-making is now crucial to delivering effective government services and economic competitiveness. This requires nothing less than a cultural transformation across the public and private sectors.
Implications for government

Look beyond

So, how do public servants respond to these trends? In these times of profound change, where governments are rethinking how they do business, they need to be highly flexible. They need to be able to adapt much more quickly to new directions from government, but also to new demands from citizens and to new issues that may not have been foreseen.

This is a big task in difficult circumstances, but it can be done. Take Singapore for example. Years ago people used to criticize Singapore’s political system, and it is certainly not without its flaws, but these days it is more often cited as an example of how to get things done. Its government is focusing on the long term, with its senior public sector leaders expected to lead think tanks that focus on Singapore in 50 years’ time, learning from across the globe, working with futurists and making sure that policy deliberation and decisions made today do not get in the way of potential future scenarios.

Governments – and senior public servants – need to find new ways of leading, using knowledge from one part of the world and applying it to their own contexts, getting ahead of changes rather than lagging behind. They need to bring a global mind-set: understand what is going on around the world; know what new solutions are applied to long-standing issues elsewhere in the world – not just theoretically but with firsthand knowledge and based on evidence.

Prioritizing partners

Government also needs to look to partners with whom it can team up to deliver for citizens. Senior public sector leaders need to make effective connections across public, private, entrepreneurial and not-for-profit sectors. The solutions are no longer in the hands of governments alone, they require effective and coordinated action.

Across the fast growth markets, we see an entrepreneurial approach to public administration – a recognition that the old ways are not always the best ways; that sometimes innovation comes when local rather than central ownership is built in. For public service to keep improving it needs to be even more responsive to rapidly changing conditions and build the capacity to operate effectively in complex networks across public, private and non-profit spheres – domestically and internationally.

A question of diversity

One idea that unites all these ways of meeting the challenges of the future is encouraging diversity of thought. We need more young people and more women at the table when decisions are made. Despite years of focusing on equal opportunity policies the gender distribution across leadership roles in government is not representative of the number of women in the community, in the public sector workforce and in higher education. Diversity in leadership and decision-making is now crucial to delivering effective government services and economic competitiveness. This requires nothing less than a cultural transformation across the public and private sectors. The presence of strong role models and women leaders in organizations will help, as will greater accountability of those responsible for implementing policies that promote diversity.

Most governments are of course aware of the benefits of promoting diversity – but this is no longer just about equality of opportunity – it is about getting the best thinking to the leadership table. In only four of the G20 countries do women occupy even a third of public leadership positions. This needs to change. There is now plenty of evidence that tapping into diverse points of view and ways of thinking contributes toward improved performance. And in the public sector we need this now more than ever to manage risk, build resilience and get the right reforms in place that are required for the future.

Global megatrends are changing how citizens view government and the public service. The challenge, now, is to use this opportunity to revitalize and reinvent public services in constructive and creative ways. The end result – empowered citizens and restored trust – is a prize worth the inevitable bumps and barriers we are likely to encounter on the way. Let’s get started.

Across the fast growth markets, we see an entrepreneurial approach to public administration – a recognition that the old ways are not always the best ways. “
Competing, attracting growing... A corner has been turned but there is still much to be done to secure Europe's long-term position as a destination of choice for foreign investors, says EY's Marc Lhermitte.

“0” to “1” Europe, “New” Europe, “Continental” Europe... That so many variants exist is testament to the huge diversity and contrasting strengths and weaknesses that exist within Europe's borders. But in recent years at least, it could be argued that only “One” Europe has existed, a Europe that has struggled to emerge from the long shadow of financial crisis and subsequent recession. But this is now changing. With the Eurozone now growing, businesses reaping profits, consumer spending increasing and employment in many countries on the rise once again, European policymakers and business leaders could excuse themselves for breathing a big sigh of relief. But while it appears that the recovery is taking firmer root, the mixed messages coming from EY's latest European attractiveness survey should, at the very least, prompt some pause for thought. First, the good news. The report – which combines an analysis of international investment over the last year with a survey of more than 800 global executives on the “perceived” attractiveness of Europe’s key foreign direct investment (FDI) competitors – found that a foreign direct investment (FDI) record was set in Europe in 2013. Foreign investment decisions in the continent reached an all-time high of 3,955 projects, up 4% from the previous year and 17% from the pre-crisis average. The two heavyweights – the UK and Germany – registered an increase in FDI projects and continued their battle for the top spot. Meanwhile France, Europe's third-largest economy, seems to have halted its decline as an investment destination. Such results, together with other positive data such as rising exports, are likely, in time, to lead to a restoration of the “feel-good factor” that has been so sorely lacking across Europe for recent years. Although the recent European Union parliamentary elections gave expression to those who have turned against Europe for a variety of reasons, economic reality gives hope that the tide may soon be turned – particularly as voter turnout for the elections remained well below 50%. However, there is little doubt of the deep damage wrought by the financial crisis. Our survey also found that Europe's share of global FDI inflows has declined significantly and the continent has lost its long-lasting leadership: from over 50% of the world's FDI inflow in 2002, Europe captured only 20% of all global investment in 2013. Investment sizes were also substantially smaller in pre-crisis years: average job creation from FDI projects declined 22% during the recession. So, with this in mind, how can Europe strengthen its competitiveness and safeguard sustainable growth in our ever-shifting global economy?

Numbers count European policymakers and business leaders are now operating on an economic map that differs greatly from that of the pre-crisis years. While some countries struggled to regain investor confidence, others took advantage of the crisis to improve their competitiveness, become stronger and more attractive to FDI. The continent's misfit markets, such as Spain, Belgium, the Netherlands and Ireland, showed resilience. By contrast, Central and Eastern Europe struggled with a decline in FDI decisions when, for example, the crisis reduced the number of projects by Western European automotive companies or shared services outsourcing. These various uncertainties are reflected in the numbers. Although Europe's emergence from recession was seen in its record FDI performance last year, over the same period job creation by FDI projects fell 15% below pre-crisis levels (195,000 jobs). In 2013, an FDI project created 42 jobs on average, compared with 60 jobs per project in the pre-crisis years.

Interestingly, sales and marketing activities dominated project numbers last year, making up almost half of the total FDI projects in Europe – although they declined by 2% over the course of the year. The UK (25%) and Germany (23%) together accounted for nearly half of these activities. These were France's largest recipient, but registered a decline of 6%. While manufacturing attracted 26% of the total FDI projects, it accounted for more than half of the jobs created on the continent. And Europe's R&D continues to be a key strength, with an investment increase of 23% last year, together with a 64% surge in job creation, underlining the vast potential. Investors also see Europe as a center for their research and innovation activities, with 45% of respondents to our survey identifying R&D as a key driver for Europe's FDI activities in the coming years. During the year, approximately one in three R&D-oriented FDI projects in Europe were from a US multinational. However, companies from emerging markets are also increasingly investing in Europe to exploit the continent's strength in scientific development. R&D-oriented FDI projects in Europe from India and China more than doubled in 2013, reaching 13 and 20 projects respectively.

Horizon scanning But what of the future? European business houses have, for some years now, been competing on a global playing field, but some of the megatrends currently unfolding across borders are poised to further transform the world around us. Different patterns of labor markets, capital flows and consumer markets are globalizing faster and deeper than ever before. Governments, too, are far more connected, which means that policymakers need to manage this new reality of interconnectivity while at the same time responding to the demands of some citizens who want to return to old models of local or domestic interest. Another trend is the shift from west to east which is resulting in a completely different economic and political balance in the world. For example, by 2030, Asia is expected to surpass North America and Europe combined in terms of global power (based on GDP, population size, military spending and technological investment). At the same time, global corporations are becoming increasingly powerful. They are influencing international relations and policies on a range of issues, including the environment, labor laws, tax, trade and financial rules. In this global context, and despite these huge changes under way, Europe's outlook has brightened in the past year. With boardrooms echoing to the sound of profits and sales rather than recession and austerity, investors believe that competitiveness remains the key to sustainable growth. Some 54% of survey respondents believe that Europe’s attractiveness as an investment destination will continue to improve in the next three years – a significant improvement (+5 percentage points) on last year’s report. Only 12% have a pessimistic view and 33% were neutral. Asian investors are even more upbeat about Europe's prospects, with 60% forecasting an improvement over the next three years. Our respondents emphasized innovation and technology (18%, +4 points) as the first step for Europe to improve its long-term prospects. They suggested an enhanced focus on education and training (11%) as the next step. This is well illustrated by the increasing integration of European industries into global value chains, which will help to strengthen the region’s industrial base. Open and connected product and service markets, investment in research and innovation, and a workforce with appropriate qualifications are all required to encourage Europe’s economy to kick on. Thankfully, stabilizing economic governance and reducing debt – both of which topped the investor suggestions in our last survey – have seen noticeable progress over the past year. As the global economy continues to shift and transform, we can be confident that the tide may soon be turned – particularly as voter turnout for the elections remained well below 50%.

2013: a record year for investment decisions in Europe The 3,955 investment decisions in 2013 represent an all-time high, showing investors' confidence in a resilient and adaptable Europe. In 2013, 166,343 jobs were created through FDI in 42 European countries, down 2% from 2012 but still 15% below pre-crisis levels.

Europe is the second-biggest recipient of FDI Europe (excluding Russia) ranked second globally for total FDI inflows in 2013. Inflows into the continent rose by more than 25% – the fastest growth in any region. The increase was even higher in the EU (31%). In total, 45% of executives saw Western Europe as the most attractive destination for FDI, just ahead of China (44%).

Europe’s emergence from recession was seen in its record FDI performance last year, over the same period job creation by FDI projects fell 15% below pre-crisis levels (195,000 jobs). In 2013, an FDI project created 42 jobs on average, compared with 60 jobs per project in the pre-crisis years.

Interestingly, sales and marketing activities dominated project numbers last year, making up almost half of the total FDI projects in Europe – although they declined by 2% over the course of the year. The UK (25%) and Germany (23%) together accounted for nearly half of these activities. These were France's largest recipient, but registered a decline of 6%. While manufacturing attracted 26% of the total FDI projects, it accounted for more than half of the jobs created on the continent.

And Europe's R&D continues to be a key strength, with an investment increase of 23% last year, together with a 64% surge in job creation, underlining the vast potential. Investors also see Europe as a center for their research and innovation activities, with 45% of respondents to our survey identifying R&D as a key driver for Europe's FDI activities in the coming years. During the year, approximately one in three R&D-oriented FDI projects in Europe were from a US multinational. However, companies from emerging markets are also increasingly investing in Europe to exploit the continent's strength in scientific development. R&D-oriented FDI projects in Europe from India and China more than doubled in 2013, reaching 13 and 20 projects respectively.

Horizon scanning But what of the future? European business houses have, for some years now, been competing on a global playing field, but some of the megatrends currently unfolding across borders are poised to further transform the world around us. Different patterns of labor markets, capital flows and consumer markets are globalizing faster and deeper than ever before. Governments, too, are far more connected, which means that policymakers need to manage this new reality of interconnectivity while at the same time responding to the demands of some citizens who want to return to old models of local or domestic interest. Another trend is the shift from west to east which is resulting in a completely different economic and political balance in the world. For example, by 2030, Asia is expected to surpass North America and Europe combined in terms of global power (based on GDP, population size, military spending and technological investment). At the same time, global corporations are becoming increasingly powerful. They are influencing international relations and policies on a range of issues, including the environment, labor laws, tax, trade and financial rules. In this global context, and despite these huge changes under way, Europe's outlook has brightened in the past year. With boardrooms echoing to the sound of profits and sales rather than recession and austerity, investors believe that competitiveness remains the key to sustainable growth. Some 54% of survey respondents believe that Europe’s attractiveness as an investment destination will continue to improve in the next three years – a significant improvement (+5 percentage points) on last year’s report. Only 12% have a pessimistic view and 33% were neutral. Asian investors are even more upbeat about Europe's prospects, with 60% forecasting an improvement over the next three years. Our respondents emphasized innovation and technology (18%, +4 points) as the first step for Europe to improve its long-term prospects. They suggested an enhanced focus on education and training (11%) as the next step. This is well illustrated by the increasing integration of European industries into global value chains, which will help to strengthen the region’s industrial base. Open and connected product and service markets, investment in research and innovation, and a workforce with appropriate qualifications are all required to encourage Europe’s economy to kick on. Thankfully, stabilizing economic governance and reducing debt – both of which topped the investor suggestions in our last survey – have seen noticeable progress over the past year. Such findings confirm that Europe is a region on the move (in the right direction) once again. Certainly, in my discussions with government and business leaders across the continent, there is now a new sense of hope and confidence that has been missing in recent years. But while the scars of the financial crisis have begun to heal, it is equally evident that this will be a long-term process. As the global economy continues to shift and transform, Europe will need to stay ahead of these changes to secure its long-term prosperity. While this is no easy task, the inherent strengths and qualities of Europe’s people, businesses and leaders mean this is an ambition edging ever closer to reality.

Marc Lhermitte is EY's Global Attractiveness and Competitiveness Leader, marc.lhermitte@fr.ey.com

Read Back in the game, EY’s latest European attractiveness survey, and attractiveness surveys for India, Africa, Russia and many others at www.ey.com/attractiveness
Why Europe needs an industrial renaissance

Europe has been able to overcome the most difficult phase of the crisis, and this year is likely to be a turning point. The economic recovery started during the last quarter of 2013, and is expected to continue spreading across countries and gaining strength.

Restoring growth and prosperity therefore requires a stronger focus on our industrial competitiveness. This is why the European Commission (EC) has called for a “European industrial renaissance,” which was debated at the March European Council and is aimed at bringing the share of industry in Europe’s GDP to 20% by 2020. Industry still plays a key role in our economy. It accounts for over 80% of Europe’s exports and a surplus of €10 per day in 2012, as well as 75% of trade within the single market and 80% of private research and innovation. One in four private sector jobs are in industry. But Europe’s industry is facing various challenges: subdued internal demand, an uneven business environment, low levels of innovation and investment, higher energy prices than our competitors, and difficulties in accessing affordable materials, qualified labor and capital. Europe’s industrial base has to be rejuvenated. Our strategy for an industrial renaissance aims at a strong and well-functioning single market, an improved business environment, a renewed energy and climate policy, better access to finance – in particular, for small and medium-sized enterprises (SMEs), skills development, support to entrepreneurship and, externally, an ambitious trade policy.

This strategy is supported by substantial European funding via four major programs. Under Horizon 2020 almost €800b will be invested in Research and Innovation projects during 2014-2020. We have also launched COSME, the first program dedicated to SMEs, while European structural and investment funds will make available €100b for smart specialization in member states and the regions. Finally, based on Horizon 2020, we have proposed an innovation investment package amounting to €22b in public-private partnerships to support our growth agenda.

Now the real key issue is implementation. And a crucial element for the successful implementation of the European Union (EU) industrial policy objectives is the involvement of all stakeholders, including all institutions, all member states at national and regional levels, and industry. This is a shared responsibility.

Building the world of tomorrow

Attractiveness is a beautiful word. It arouses pleasurable thoughts and new visions. It makes you want to be part of the world we picture for the future. Who does not want to share in building the world of tomorrow? This is probably why the biggest challenge for every state nowadays is to promote and reinforce its attractiveness.

As EY’s surveys show, tough times arising from the economic crisis have not destroyed investors’ faith in the European continent. Within Europe, the Île-de-France region remains a key and first-class destination for investors, and that is something which gives me great pleasure and that I am very proud of. Île-de-France generates no less than 30% of French GDP and accounts for 50% of investments nationwide – a proportion that is rising – although it is home to only 19% of the French population. It constitutes the beating heart of France in terms of its economy, industry and tourism.

The Île-de-France region is strongly committed to building a genuine “Silicon Valley à la française,” and we have a lot of strengths that will help us reach our goal.

The Île-de-France economy is particularly diverse and multipolar, which I believe are great virtues. Thanks to our reliable and efficient transport infrastructure, though our region is large, it is rich in high-profile, well-connected economic areas. And to capitalize on our strengths, we organize our business activities around competitiveness clusters that are at the cutting edge for technology, creativity and innovation. Those are the elements that we believe will make our dreams come true.

Our main and constant aim is to create and perpetuate an ecosystem that stimulates innovation and growth. This is at heart of Île-de-France’s outline development plan, La Réserve, which the Île-de-France regional Council adopted in October. It brings together attractiveness and solidarity, excellence and proximity. In other words, the perfect combination to shape model territories, with town planning that is consistent socially and economically, that can overcome traditional barriers to ensure people really feel connected.

As a national capital region, we are home to world-renowned scientific and technical clusters and business centers such as La Défense, the Plateau de Saclay, Roissy and La Plaine Saint-Denis, among many others. All of them welcome new investors and bold projects with open arms. For only in this way, working with all our territories and partners, can we, together, build a wonderful new world for tomorrow.

As a national capital region, we are home to world-renowned scientific and technical clusters and business centers such as La Défense, the Plateau de Saclay, Roissy and La Plaine Saint-Denis, among many others. All of them welcome new investors and bold projects with open arms. For only in this way, working with all our territories and partners, can we, together, build a wonderful new world for tomorrow.

Bringing Europe together to earn its place in the world

When I think about the future of Europe, four issues spring to mind.

The first concerns communication. When will politicians stop using the EU as the excuse for all that is wrong with life today? Constantly taking the easy path of
Unleashing Europe’s potential

We should not underestimate the achievements of the EU since its inception, but neither is this a reason for complacency. The creation of a single market with over 500 million consumers is, of itself, a significant achievement and crucial to Europe’s competitiveness in an increasingly globalized marketplace. Yet Europe fails to exploit its size and scale to best advantage. We need to reduce the fragmentation that still exists in many sectors, including energy, transportation and services. For example, if the EU integrated its services sector, digital infrastructure and its energy sector, 2% would be added to its GDP. The reality is we need more, not less, Europe.

Finally, the importance of trade in Europe’s reindustrialization cannot be underestimated. Recovery will be driven mainly by the exports of manufacturers benefitting from the EU’s preserved and upgraded comparative advantages in high-end products. Here, bilateral agreements such as the proposed Transatlantic Trade and Investment Partnership can have huge upside for the EU in operating within the new realities of an increasingly competitive global economy.

Reforming Europe for productivity, competitiveness and jobs

Though the euro area is beginning to show long-awaited signs of recovery, comprehensive structural reforms are needed to enhance productivity, restore competitiveness and pave the way for enterprise development and job creation.

First, Europe needs to continue reforming its financial sector. Ambitious reforms to secure lasting structural adjustment in the euro area need to be supported by sound macroeconomic policies and financial sector repair. Fiscal consolidation must continue as planned, while preserving much-needed public investment in education, infrastructure, innovation and other key growth enhancing programs. It is also essential to strengthen the euro area banks and put in place a well-functioning banking union, so that lending and effective financial intermediation can resume in support of the recovery. European financial markets need to return to normal so that credit can start flowing again.

Second, the remaining obstacles to a single market need to be removed. There is much scope for further pro-competition reforms in some core euro-area countries, where the impetus for reform has not been as strong as in the south after the crisis. For instance, after Italy and Spain, France and Germany have the highest barriers to competition in services in the euro area.

Further pro-competition reforms could help achieve rapid job and productivity gains in sectors such as retail, trade and professional services. Europe should also reform its product markets to simplify regulations, reduce barriers to market entry, strengthen private sector participation in economic activity and reform the governance of state-owned enterprises. Most recommended reforms are sector-specific, focusing on regulatory entry barriers in potentially competitive segments of network industries and competition-enhancing reform in the services sector. For instance, removing unnecessary licensing requirements or reducing education requirements for setting up a business could raise output and employment in the economy overall.

Efforts are also needed to help the most innovative firms attract capital and labor and support the accumulation of knowledge-based capital, which has become an essential asset to compete in new technology sectors. At the national level, it is also essential to reduce patent litigation costs, move toward bankruptcy laws that do not overly penalize failure, develop R&D tax incentives that meet the needs of young firms and strengthen cooperation between private firms and public research entities. Overall, innovation policies that can bear fruit only in the long run have so far been given lower priority by countries than they deserve. Boosting long-term productivity, competitiveness and job creation therefore requires continuing policy action on structural reform, at the national and European levels, to address barriers to competition and lower investment in ICT and intangible assets.

To read more viewpoints visit www.ey.com/ attractiveness and download the 2014 European attractiveness survey.
Trinidad and Tobago is changing. Its public service is in the process of casting off the shackles of an outmoded structure and is in the midst of a huge program of reform. Carolyn Seepersad-Bachan, its Minister of Public Administration, takes time out to tell Devendra Ramnarine about changing times in the Caribbean.

A way from Trinidad and Tobago’s idyllic beaches and year-round sunshine, away from the sounds of its music, Carnival and multi-ethnic and multi-religious society, a quiet revolution is under way. Citizens of these twin islands located at the gateway to South America might not yet have experienced its full extent, but there is little doubt about the potential of the plans, or the scale of the ambition.

Leading the charge is Carolyn Seepersad-Bachan, Minister of Public Administration, a policymaker whose comparatively limited experience in the corridors of power (she only became an MP in May 2010) belies the impact of her work and vision for her country’s public service. She is quick to point out, though, that the plans to transform government systems into a more citizen-centric organization, one more agile and efficient, merely reflect the fast-changing world around us. Globalization, it is clear, extends to this corner of the world too.

“We celebrated our 50 year anniversary in 2012,” she recalls. “But 50 years on from independence, we need a new structure for the 21st century.”

The prevalence of new technology means we can re-skill and retrain our clerical staff so that they are integrated and empowered.

The current system has 33 ministries overseeing the business of government across the two islands, the structure of which – “a steep pyramid that is bottom heavy with a hierarchy of jobs that encourage slots to develop” – leaves much to be desired, says Seepersad-Bachan. It is against this backdrop that the public service renewal program has gotten under way.

From Gold to Diamond

The year 2012 saw Trinidad celebrate the golden anniversary of its public service and, because 2022 will be the diamond anniversary, Seepersad-Bachan’s Ministry has described its public service renewal and modernization program as a “Journey from Gold to Diamond,” setting 2022 as the target year for achieving excellence in service delivery. Underpinning this approach is the belief that Three Cs – Capability, Connectedness and Culture – are intrinsic to the reform program. 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 Diamond represents the journey into the future as we look ahead to our 60th Anniversary as a country,” says Seepersad-Bachan. “It is a metaphor for the shape of the renewed public service characterized by a narrow base of multi-skilled integrated jobs with a wider middle core of professionals who can assume leadership responsibility, with a narrowing at the top. It will encourage entrepreneurship and greater upward mobility and foster enterprise, accountability and increased autonomy. For our citizens, it will ensure that they are the absolute focus of our organization, and they only need to use their computer or mobile phone to access every service the government offers.”

The reforms – which include the development of cross-departmental service charters that define what they expect of themselves and what their customers can expect from them – 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.

We want to create one stop shops for government services that allow citizens to receive their services more easily than previously.

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 Diamond architecture will give us new opportunities, new jobs and new program streams. The prevalence of new technology means we can re-skill 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 which they can be excited about.”

Change-making - Caribbean style

This focus on empowerment reflects the realization that change is rarely straightforward. Sweeping reform programs, irrespective of their geographic location, require careful planning and stakeholder engagement in order to be successfully implemented. Seepersad-Bachan was clear that she wanted to take an inclusive approach.

“Improving a public service often depends on consulting and involving citizens to make sure they are part of the process,” she says, citing an example from when, as Minister of Energy, she launched a series of public consultations.

“Sessions were held at city and regional government halls – not in hotels as was the norm. The resistance came from some of the experts who felt that, first and foremost, they should take charge of the event. I was adamant that all citizens must be given an opportunity to air their views and this is exactly what occurred. We had secondary school students present policies for pursuing and developing a renewable energy sector in Trinidad and Tobago. I still get feedback from stakeholders about how effective this approach was.”

From an internal perspective, the minister goes on to say that when she first came to the Ministry of Public Administration she found some scope for improvement. “I don’t want to portray myself as an expert in HR or even public administration, but I couldn’t understand why we had been hearing about transformation for so many years,” she says. “It seemed like something like this could be traced back to the 1980s, yet we hadn’t been able to make progress while the rest of the world kept accelerating – at a far faster pace than ourselves. So, now the focus is to catch up and leapfrog our way forward.”

Asked why more progress had not occurred in the preceding years, she says that it wasn’t for a lack of trying. “I found
that everyone was trying to push the project forward but I felt that the best way was to deploy multiple strategies,” she says. “Breaking the project up into smaller chunks makes it more achievable and this involves a bottom-up approach because we have to involve our people. We have to get them enthused and excited about what they are doing.

“The second strategy we are using is from the top down,” she continues. “In my view, what had previously happened was that our leaders tended just to be managers and didn’t really understand their role as ‘leaders’. In order to better develop our leadership across the public service, we have put into place new training programs for permanent secretaries and heads of department. They are now more equipped with the tools and techniques to allow them to manage in an environment that is more dynamic and diverse than the hierarchical structure that went before. It’s been a big culture shift to get them used to the idea that more tasks can be taken on by people at the middle management level.”

And a third focus area has seen Seepersad-Bachan and her team consider how best to integrate these reforms across the public service. “Because of the size and complexity of our public service, and the way it has evolved, it has been very functional, with too many silos and not enough integration across our ministries,” she explains. “This is why we are introducing new programs such as shared services. We are particularly strong on the adoption and diffusion of new technologies, especially ICT, since it provides greater opportunities for wider innovation and for access to services. This is because we want to create one stop shops for government services that allow citizens to receive their services more easily than previously. After all, they’re not really interested in what ministry does what. What they’re interested in is the type of services they are receiving.”

Lessons from lecturing
Seepersad-Bachan’s approach is steeped in her experiences in academia. A former lecturer in Engineering at the University of West Indies, she has also accumulated considerable business experience, including serving on the boards of several private sector organizations such as the National Petroleum Marketing Company, which she chaired. However, the call of politics, and of public service, rarely stayed from her thoughts.

“When I was lecturing, I felt that at our Department of Electrical Engineering was not contributing to national development in a meaningful way,” she explains. “One of the things that troubled me was that we were producing a number of engineering graduates who were going out into the energy sector and they were not really being allowed to practice engineering. Partly this was because we were importing a lot of the solutions via foreign consultants and this meant our human capital was being insufficiently developed. I came to learn about how the leadership of a country is critical to making change take place – without it, nothing happens. It’s the same for public service transformation – without political will, it won’t be happening.”

“The leadership of a country is critical to making change take place – without it, nothing happens. It’s the same for public service transformation – without political will, it won’t be happening.”
Risk management is critical. For policymakers already dealing with full in trays and balancing conflicting pressures, the need to adjust their approach may not be one they instinctively welcome. And yet there are three important incentives for them to do so.

First, increasing the line of sight at the highest levels of management will facilitate a better understanding of issues and uncertainties. In addition, embedding risk management into processes and key decision-making will create value for the organization proactively, before risks materialize. Similarly, ERM needs to be seen as a means to strengthen performance and protect the organization, rather than just another compliance program.

The link between ERM and performance is also motivated by other influences, one of which is change. While both internal and external environments are increasingly volatile and fast-paced, governments are also dealing with increased demands for greater visibility of what they do and are continuously trying to be more efficient and effective. Additionally, organizations are increasingly dependent upon external partners that can impose unexpected risks. As the operating environment becomes increasingly complex, managing risk across the enterprise provides a better view of which risks to mitigate and which can be leveraged to improve public service delivery.

A question of leadership
Ownership for integrating risk and performance management should begin at the top of the organization. Senior leaders establish the risk appetite and give permission for subordinate levels of management to take informed risks that support reaching higher performance levels. A cabinet secretary’s private industry experience can add significant impetus and, in other situations, there is the incentive of a legislative mandate.

In the private sector, there is often significant involvement from a number of parties, including the Chief Financial Officer (CFO), the Head of Audit and Compliance, and the Treasurer, as well as the Chief Risk Officer (CRO) and other key leaders. Likewise, there is no single answer in the public sector. CFOs often serve as Performance Improvement Officers (PIOs) and collaborate directly with CROs.

Reflecting the historical focus on risk and internal control that resides in the Office of the CFO, CROs are sometimes part of that office. Today, each agency needs to assess its culture, organizational structure and decision-making processes to determine where to assign direct ownership for ERM integration. It is important that these leaders are positioned to facilitate an open dialog on the opportunities for risk-enabled performance improvement, in addition to addressing the downsides of risks. Ultimately, though, the link between risk and performance management is not owned by one individual. Success will be engagement that permeates the organization, resulting in new programs and initiatives that are underpinned by a greater understanding of risk.

Instilling integration
The first step toward this goal is to ensure that key stakeholders and leadership understand the value of integrating risk into strategy-setting. There may be resistance to an open dialog about risk from operational and program managers who might be protective of business practices. This issue can be addressed by changing the dialog from “risks” to “uncertainties.”

With this in mind, it is helpful to identify aspects of risk management that can be easily embedded into business processes, so they become a natural part of those processes. It is also important to find pockets of an agency that appreciate the potential for using risk management to enable improved performance. Performing a pilot in a small area and producing a tangible product can increase support and acceptance.

Policymakers who drive these processes should look and plan for both the long and short term. Tying performance metrics and incentives disproportionately to short-term performance could encourage managers to take actions that introduce risks that may be detrimental to the organization. A logical point for integrating risk knowledge into performance planning is during budget formulation, when the impact of program funding scenarios is being evaluated. Other opportunities for government agencies to incorporate risk insights in performance discussions include periodic reviews of strategic objectives, during which project risks and uncertainties are communicated.

Measurement management
As risk management and its accompanying insights become embedded in performance management, organizations begin to demonstrate certain characteristics. First, performance metrics become linked to risk appetite. Similarly, more expansive use of ERM insights leads to an open dialog between risk leaders and senior leadership, rather than a one-way reporting of risk assessments. Operational and program managers also begin to incorporate risk analytics and behaviors into their planning and metrics.

Ownership for integrating risk and performance management should begin at the top of the organization.

A logical point for integrating risk knowledge into performance planning is during budget formulation, when the impact of program funding scenarios is being evaluated.

in a proactive, self-maintaining manner. Risks are linked to strategic objectives and then aligned and reported on in the context of program performance. Key Risk indicators are established and used to maximize performance, as well as to indicate advance signs of not achieving strategic objectives.

Focusing on risk-enhanced performance also fosters innovation. People who are comfortable thinking out of the box and doing so quickly can leverage insights from risk management to brainstorm new ways to achieve outcomes and sharpen expectations. There is greater clarity about what lies ahead, what is being done about it and the measures to gauge if the organization is moving in the right direction. However, without robust, real time monitoring practices, organizations are unable to accurately estimate critical business factors, such as time to perform, demand, cost, and resource needs. Not only do they fail to understand their circumstances sufficiently to mitigate risks, but also their opportunities to improve performance by leveraging timely, risk-adjusted profiles are missed.

Assessing risks represents the next step in enhancing performance in government. In the US and other countries around the world, integrating risk in the rhythm of all management and program areas is critical to improving alignment, cooperation, prioritization and, ultimately, achieving better results. When planning is informed by an aggregation of insights that are uniquely understood through the ERM process, improved outcomes for both government and citizens will draw ever nearer.
Rights of the crowd as a home favorite kicks and break down barriers that excluded them from the mainstream of the community.” The London 2012 Paralympic Games seems to have led to a significant shift in perceptions. According to research done in March 2013 by the UK’s Office for National Statistics and Department for Work and Pensions, 53% of 2,880 survey respondents acknowledged their view of disabled people had been changed positively by the Games.

• Governments investing in their citizens

The target of the major events require significant infrastructure improvements and often accelerate government spending plans by many years. These investments strengthen the economies in which they are spent and help the cities of the host countries benefit from better roads, rail and other transport options, as well as improved environmental conditions.

• Developing talent, jobs and working standards

The need for skilled labor for construction of venues and support infrastructure often leads to an influx of experts who lose a legacy of improved skills and experience for the local labor force. Where an event requires specific skills that a company does not have, the employer will have to invest in training their personnel so that they are able to provide the right services levels. Individuals and teams will be forced to be more innovative and develop their ways of working. In less developed economies, major events also encourage businesses to work with their people to improve levels of customer service.

• Supporting economic growth

A Brazil 2014 World Cup study by EY and Fundação Getúlio Vargas in Brazil found that an estimated US$54b (US$52b) will have been added to Brazil’s GDP between 2010 and 2014. This type of headline-grabbing figure is not unusual when you consider the level of public and private investment. Major events also bring companies together with a common purpose. The most committed of those companies look for ways to collaborate with other organizations, and these relationships have the potential to last for the long term.

It is clear, then, that hosting a major event presents significant economic, social and infrastructure development opportunities but only if the event is built into the investment plans of the city and country and not the other way around.

Continuing our series about how we are helping build a better working world, EY’s Richard Evans and Rohan Malik explain how major events can lead to transformational change for host cities and their citizens.

Building a better working world through major events

When we think of a better working world we think of businesses and economies working more efficiently, economically and fairly; however, if we look beyond this to the potential outcomes that could be achieved from major events, we can also see opportunity for societal, cultural and economic change that can influence business behaviors and present an accelerated opportunity for progress. Many recent major events have delivered, as a direct or indirect consequence, a significant contribution to a better working world in a number of different ways.

• Building trust and confidence in the economy

Major events encourage transparency within governments and their supply chains by making policymakers show what public money is being spent on, who is receiving it, and where and why it is being spent and why legacy business and citizens are receiving. A major event can also avoid the impact of putting pressure on the city or country on the world stage by showing its market potential. With policymakers having to undertake major events, confidence is given to the market that potentially lucrative contracts will be guaranteed and, with the world watching, transparency will give hope and confidence that there will be fairness in awarding them.

• Improving government effectiveness

There is always a risk that public sector projects – much like their private sector counterparts – can be late, over budget or fail to deliver the benefits expected. However, the UK’s Institute for Government found that the London 2012 Olympic Games helped government deliver several lessons in delivering big capital projects. These included how to avoid policy and delivery silos, the importance of cross-party political cooperation and how transparency can serve as a driver for cost reduction. Major events are also ideal opportunities for governments to deploy public-private partnerships (PPPs) that can reduce the burden of public purse, while at the same time delivering a valuable commercial legacy.

• Growing businesses sustainably and responsibly

Business supply chains also stand to benefit from major events as they encourage private sector organizations to meet the fluctuating demands, as well as the competitive pricing that is usually required. Not only do they encourage new markets and products to meet event requirements and companies to showcase new ideas – such as Qatar 2022’s new stadium-cooling technology – they also force companies to look at their sourcing contracts and often make improvements to meet the strict international standards on sustainable procurement. Entrepreneurs, too, stand to benefit: a potential event supply chain of about US$25b encourages the development of new markets and services.

• Giving investors better and more informed data

The impact of major events is felt throughout the event and how each dollar of public money spent on an event will contribute to a better society and working world.

• Promoting diversity and inclusiveness

The next Special Olympics World Summer Games will be in Los Angeles in 2015 and will host 7,000 Special Olympic Athletes from 170 countries. Its goal is to “promote social inclusion to the benefits and capabilities of people with intellectual disabilities, helping to change attitudes and打破 those barriers that excluded them from the mainstream of the community.” The London 2012 Paralympic Games seems to have led to a significant shift in perceptions. According to research done in March 2013 by the UK’s Office for National Statistics and Department for Work and Pensions, 53% of 2,880 survey respondents acknowledged their view of disabled people had been changed positively by the Games.

Every day, EY people are working with organizers, governments and private enterprises to help contribute toward a significant improvement in the working world for the cities, countries and regions that are hosting events. Our people are proud to fulfill this important role and we look forward to continuing to do so.

Richard Evans is EY’s Global Major Events Leader. richard.evans@ey.com

Rohan Malik is EY’s Emerging Markets Leader for Government & Public Sector. rohan.malik@in.ey.com

Building a better working world

Every day, EY people are working with organizers, governments and private enterprises to help contribute toward a significant improvement in the working world for the cities, countries and regions that are hosting events. Our people are proud to fulfill this important role and we look forward to continuing to do so.
Overcoming compliance fatigue
EY’s 13th Global Fraud Survey

EY’s 13th Global Fraud Survey, Overcoming compliance fatigue: reinforcing the commitment to ethical growth, found worrying levels of perceived fraud, bribery and corruption across the world. And, regarding emerging threats, despite the apparent global consensus on the significant scale of the cybercrime, almost half of the respondents (48%) considered it to represent a very or fairly low risk to their business. These survey findings suggest that executives may not have a proper appreciation of cybercrime risks. Respondents see hackers as the biggest concern (48%) and are underestimating the risk from organized crime syndicates as well as foreign states.

The survey included in-depth interviews with more than 2,700 executives across 59 countries, including CFOs, chief compliance officers, general counsel and heads of internal audit. Nearly 40% of all respondents believe that bribery and corruption are widespread in their country. With respondents portraying a business environment of pervasive corruption in many countries, it would appear that management and boards are struggling to respond to long-standing threats, let alone addressing emerging risks such as cybercrime.

David Stubl, Global Leader of EY’s Fraud Investigation & Dispute Services (FIDS) practice said, “With high-profile cybercrime incidents making headlines on a regular basis, boards should expect management to have a robust incident response strategy in place. Pressure on companies for timely disclosure of breaches is rising in many jurisdictions as well, so these issues require attention from the legal and compliance functions. The U.S. Securities and Exchange Commission is increasingly focused on cyber risks as they relate to the integrity of financial statements too, so audit committee members have to be alert to today’s cyber threat environment.”

David Remnit, EY’s Global FIDS Forensic Technology Leader, added: “Regulators are investing heavily to bolster their ability to mine big data from corporations for potential irregularities. The latest data visualization tools can help to identify revenue recognition or procurement-related red flags earlier and more efficiently. Boards should be asking how management is leveraging forensic data analytics to get the most from their big data in order to improve compliance and investigative outcomes.”

Download the full report at www.ey.com

Building a better retirement world
Most countries and stakeholders have been striving to varying degrees with the financial aspect of longevity and financial well-being during retirement. The aftermath of the global financial crisis forced many governments, public and private sector employers and pension fund providers to reassess their current solutions.

While political and vested interests may impede necessary fundamental reform in many countries, there is general acceptance by industry experts, policymakers and governments that change is necessary for finance pension and retirement systems. Making long-term decisions in an uncertain environment with many moving parts requires significant experience, leadership, discipline and a vision of the big picture. Our report, Building a better retirement world, highlights five key components of a robust pension and retirement system:

1. Financial adequacy. How much will different beneficiaries need for their financial wellbeing in retirement? How will governments and public and private sector employers need to provide in retirement benefits to attract and retain talent?

2. Financial sustainability. How much can governments, private sector plan sponsors, public sector entities and future beneficiaries afford to save over the long term to pay for pension and retirement benefits?

3. Performance. How can we maximize outcomes and predictability of investments and pension and retirement assets?

4. Efficiency and effectiveness. How can we deliver promises efficiently and effectively to all stakeholders while meeting their service expectations?

5. Political aspects. What is our long-term pension and retirement vision? What short-term trade-offs must be made to secure political backing?

These five tenets are applicable to most countries, but their relevance varies globally and over time.

Josef Pilger, EY’s Government & Public Sector Pensions Leader, said, “Greater transparency and learning from international pension systems will lead to increasing scrutiny and comparison of key levers globally. To better prepare for this new aspect of pension and retirement ‘globalization’, we encourage policymakers to challenge the key levers and assumptions they use for policy reform.”

Download the full report at www.ey.com

Renewable energy country attractiveness index
Continual policy amendments are still hindering renewable energy development across many markets, but changing energy mix dynamics, a need for new sources of capital and innovative business models are also creating significant opportunities for developers and investors, according to EY’s latest quarterly Renewable energy country attractiveness index (RECAI).

The report highlights that such opportunities are becoming increasingly prevalent in the US, with expectations mounting of a renewables-led energy transformation this decade as the US energy market finds itself at a crossroads. However, the latest RECAI rankings also have a strong Asian flavor, with China, Japan and India continuing to strengthen their positions and close the gap on their Western counterparts in the top 10. An increasingly consistent trend is reinforced with the entry of Indonesia and the Philippines into the index for the first time.

A flourishing solar market, 45GW of coal capacity retirement and signs of a reinvigorated capital market are painting a promising picture for the US renewable energy market, helping it retain its position at the top of the index rankings as the most. However, uncertainty over tax credits and equity financing, increased shale gas production and ongoing political gridlock could take the US back down a path of boom-bust investment. Gil Forer, EY’s Global Cleantech Leader, said, “Policy volatility in the US at a federal level can sometimes mask attractive incentive regimes or ambitious renewable programs at the state level, especially with grid parity cheaper in some markets than others. Estimates that 85% of additional electricity demand in the US through to 2025 will be met by renewable energy also send strong signals of the opportunities to be realized. Overall, the energy markets are being disrupted and we have witnessed the beginning of a paradigm shift of a new and evolving energy mix.”

With the US firmly leading the index rankings for now, China continues to strengthen its hold on second place. Elsewhere in the top 10, revised incentive schemes, large-scale projects and ambitious capacity programs see Japan and India poised to overtake their closest rivals in the index rankings. Looking outside the index’s top 10, Africa continues to expand its presence in the global renewables market.

Download the full report at www.ey.com

Tax reform: A better way
Australia needs a Tax Reform Commission to take responsibility for reforming a system in disarray, according to a new EY report.

Tax reform: A better way highlights the need to depoliticize tax reform in a way that recognizes both the acute and long-term need for effective process. It recommends that an independent Australian Tax Reform Commission be established to oversee tax reform matters and take on the responsibilities currently performed by the Board of Taxation and some functions of the Australian Treasury.

EY CEO Rob McLeod, who led the most recent comprehensive review of the New Zealand tax system, said that the Australian tax system was clearly in urgent need of change. EY is focused on how the processes and institutions must be improved to provide the best chance to successfully implement and maintain reform. “Australia’s tax system is in disarray, and the biggest challenge is the de-politicisation of the tax policy process and decisions,” he said. “To lock in a long-term view of tax reform in Australia we need an approach that is not tied to the timing of the election cycle. We need to re-examine the way we actually do tax reform.”

He also explained why a new commission is so important. “We know that this might appear to be yet more bureaucracy, so it is only after carefully weighing the advantages of a new statutory body that we can recommend its establishment,” he said. “This is not about bigger government, it’s about better government. The tax system is not something you set and forget.”

McLeod went on to say that the need for comprehensive change to the tax system was almost universally acknowledged but that building consensus on a way forward was a challenge. “Taxation reform is challenging because of the political, economic and social minefield through which any change must tread. The current system does not meet that challenge,” he said. “The reform landscape is crowded with players who have divergent and contradictory preferences on the direction of tax policy. With the right processes and institutions we can build a tax system that does not prejudice local businesses or foreign investors and meets the revenue requirements of the nation.”

Download the full report at www.ey.com/SG

Download the full report at www.ey.com/SG

Download the full report at www.ey.com

Download the full report at www.ey.com

Download the full report at www.ey.com
Our priority of community involvement also has led us to engage as a national champion of the global movement Designed to Move. This program is raising global awareness of the need to encourage children to be more physically active. This will not only make them healthier but also support their education, leading to reduced unemployment and crime, and stronger communities in the future. This is a good example of how we are looking to help solve the challenges of today, as well as those of future generations.

EY Brazil strives to be recognized as a positive, transparent, innovative and engaged organization, one that uses our relationships with clients, governments and not-for-profit organizations to create positive change in our community. Our repeated recognition as one of the best corporate universities and EY Brazil’s role as official supporter to the Rio 2016 Olympic Games, among others, shows how our people are part of building a better working world — for their clients, their families, their communities and themselves.

Our priority of community involvement also has led us to engage as a national champion of the global movement Designed to Move. This program is raising global awareness of the need to encourage children to be more physically active. This will not only make them healthier but also support their education, leading to reduced unemployment and crime, and stronger communities in the future. This is a good example of how we are looking to help solve the challenges of today, as well as those of future generations.

EY Brazil strives to be recognized as a positive, transparent, innovative and engaged organization, one that uses our relationships with clients, governments and not-for-profit organizations to create positive change in our community. Our repeated recognition as one of the best corporate universities and EY Brazil’s role as official supporter to the Rio 2016 Olympic Games, among others, shows how our people are part of building a better working world — for their clients, their families, their communities and themselves.
GREAT THINGS HAPPEN WHEN TOP TALENT WORKS TOGETHER.

Some of the world’s policy challenges may seem insurmountable. But by joining forces, we can read the path to take.

Explore the power of high-performing teams.

Visit ey.com/government.