

4 emerging trends in economic growth

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Neil Ghosh in Vietnam experiencing the power of local capacity building and sustainable development with Mrs. Chảo Mây Tết (Chao May Tet) of Group 4, Ta Seng Village and Mr. Chảo Thành Tĩnh (Chao Thanh Tinh), chairman of the older association of Ta Phin commune. Photo by: Author

The transformation of economic activity in low-income markets over the past two decades is staggering and challenges development executives to re-envision their models for steering growth.

The [International Monetary Fund's](#) April 2016 World Economic Outlook predicts advanced economies will grow at a 1.9 percent rate in 2016 while emerging and developing economies will grow at a 4.1 percent rate. From 1990 to 2015, the proportion of the world's population living on \$1.25 a day dropped from nearly 50 percent to 14 percent, according to the U.N. Millennium Development Goals report.

These numbers are reflective of the work done by host countries, with assistance from donors. Interventions have led to poverty reduction, increased prosperity, stronger institutions, better regulations, reverse brain drain, more literacy, stability, better central banks, and the freeing of capital.

Yet these positive trends, still in the infancy and combined with other worldwide trends including a youth bulge, climate change, technological transformations, and terrorism, require new models. We believe the models must embrace innovative financing, public-private-social sector partnerships, knowledge sharing, improved monitoring and evaluation, continuous innovation, technology, and diversified funding models.

What's next for development professionals and our local counterparts around the world? Here are four big trends.

1. Youth bulge.

Half our global population and the vast majority of those living in developing countries are under the age of 30. The median age in Pakistan, for instance, is 23, and in Nigeria it is 18. This youth bulge represents a tremendous challenge and opportunity for development executives.

Despite significant reductions in poverty, 75 million young people are unemployed and over 500 million are underemployed. The situation is mirrored in immigrant communities in Europe. This is unprecedented, meaning that neither governments, nor donors and nor implementers have the data or experience necessary to prescribe solutions.

Therefore, we must extrapolate from our collective lessons and research and begin to understand how best to rapidly expand youth-centered interventions. In addition to scaling what has worked, we must leverage youth as catalysts for social change, preventing them from becoming drivers of global conflict, including through violent extremism, violence against women, human trafficking, drugs and other challenges.

Supporting youth empowerment goes far beyond employment and education. We are working with [Global Development Incubator](#) and other partners to launch a new collective action initiative called Youth Resound (formerly the Global Youth Initiative) that seeks to amplify the voices of youth as a means to solve some of the world's toughest challenges. For young people to be productive citizens, creators and problem solvers, they need meaningful opportunities to express their opinions and pursue their own ideas around social change. We must put ourselves in a position to react to, rather than drive, these ideas.



Neil Ghosh with farmers and entrepreneurs in Mozambique and Zimbabwe. Photo by: Author

2. Refugee crisis.

There are more than 60 million refugees in the world today. Syria's civil war is one the worst humanitarian crises of our time. Half the country's pre-war population of 23 million have been killed or forced to flee their homes.

For development professionals and donor communities, the recent refugee crisis is occurring at a time of tremendous innovation. Inclusive business and impact investing are among the most groundbreaking approaches to inclusive growth in practice today.

Inclusive business describes strategies under which national and multinational companies, working together with foundations, civil society, and government, engage with the very poor not just as consumers but also as suppliers and manufacturers. The goal is to bring them meaningfully into the value chains of market sectors and allow them the opportunity to work their way out of poverty. Impact investing, for its part, aims to solve social or environmental challenges while generating financial profit for funding entities.

Both approaches deliver real progress and have been embraced by development practitioners, businesses, and the donor community. There are excellent examples of these models across the world including countries such as Tunisia, Pakistan and Afghanistan. One is the Middle East and North Africa Investment Initiative in Syria and Iraq, funded by [U.S. Agency for International Development](#) and the [United Nations](#). The [World Bank Group](#) and the

[Islamic Development Bank Group](#) also recently announced an investment initiative to help countries in conflict, recovering from conflict, or hosting refugees. Both these examples include a strong emphasis on economic and social inclusion.

3. Social progress.

In both large and small markets alike, development progress is uneven. Wealth is concentrated in relatively few hands and there is a growing distance between the lowest and highest quintiles, as well as between genders.

We've also seen growing interest in measuring social progress in addition to economic progress, for example through gross domestic product. These social progress indices have the potential to open up a conversation about how we allocate our development resources going forward. The findings from these measures will allow us to be more strategic about development. Such a benchmarking strategy will allow governments, corporations and civil society to decide on specific actions.

We must also adapt our M&E systems to track not only growth but social progress, helping us to more fully understand the positive and negative results of our interventions. [Ford Foundation](#) President Darren Walker [said](#) it well: "We need an SPI and we need to understand its value in our society because we need to understand how we're doing in terms of health and education and the quality of our water."

Adaptation and integration of youth in all aspects of development will be key over the next 10 years.

— Neil Ghosh, board chair of Youth Resound and Kristin Lobron, co-founder and partner of the Collaborative Development Network

4. Diversified and blended funding.

Under the current global climate, a diversified donor portfolio is a must. A diversified portfolio looks beyond government funding (for example from USAID), to foundations and other bilateral and multilateral donors. It can also include individual giving, corporate/private partnerships or funds. There is no easy path to achieving this, but the reward can be substantial.

At [SNV](#), we worked with global colleagues in more than 30 countries to successfully transform this 100 percent Dutch government-funded organization into a diversified INGO impacting the lives of millions. Financial sustainability is a challenge, but what we learned by working with various foundations and global donors is equally substantial: We saw different approaches that could make interventions more efficient and innovative, resulting in greater scale and impact.

During the transformation process we learned about the difference between tied vs. untied aid. While placing bids with new donors, we had to decide if we should pursue work as a subcontractor or as a prime contractor. How do we build a brand in a new market? We saw very different procurement approaches, cost rates, reporting requirements, contracting mechanisms and legal constraints. Direct funding through crowdfunding platforms, impact investment and remittances is growing; How do we partner to grow these direct financing models?

Donors and implementers both need to have a clear discussion about how to attribute change and report on indicators during program evaluations when the funding comes from multiple sources. We also need to assess whether the standardized indicator reporting we provide to U.S. Congress is still relevant when funding comes from pooled sources.

Lastly, we need to evaluate the latest procurement trends toward co-creation and challenge funds. In co-creation, implementers and donors sit together to design a program at the outset, then issue a solicitation for implementation of the program only to those organizations that assisted in the design. Alternatively, challenge funds seek to create a community of winning innovations that can be incubated to scale solutions. We must ask how we can reorganize our business development departments and technical teams to respond since the type of upfront investment — whether

through co-creation or the development of innovative products — require upfront costs without a clear payoff.

As we acknowledge progress, we should also acknowledge that we have significant work to do. With the uncertainty of the upcoming election, perhaps now is a good time to pause and ensure we have the talent, corporate structures and flexibility to operate in this rapidly changing world. The donor and development communities today have access to technology and tools with potential to scale solutions widely, delivering services and products that can increasingly be scaled through consumer uptake — everything from mobile technology to drones. Therefore, adaptation and integration of youth in all aspects of development will be key over the next 10 years.

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