



Press Release

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Contact Mike Davies, PwC
Tel: +44 207 804 2378
e-mail: mike.davies@uk.pwc.com

Or Jan Sturesson, PwC
Tel: +46 70 569 3737
e-mail: jan.sturesson@se.pwc.com

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Governments must lay foundations for stable and lasting economic recovery; 'government as usual' not an option

London, 28 Feb 2012 - The PwC Global CEO Survey shows uncertain and volatile growth, lack of stability in capital markets, and tumbling short-term business confidence. This places the onus on governments to provide political leadership to help lay the foundations for a stable and lasting global recovery.

Drawing on the results of the CEO Survey, and adding to it with valuable insights from senior government decision-makers, PwC's Public Sector Research Centre has published its latest report in the Government and Global CEO series entitled ***Taking responsibility: Government and the Global CEO***.

This report points to three challenging and far-reaching priorities for governments nationally and internationally; they must act to deal with fiscal deficits, lay the foundations for good growth, and tackle the talent crunch.

Of course, governments have different starting points. In the G20 countries, governments need to act urgently to reduce public sector deficits and debt by cutting public spending and focusing on growth - as well as re-building trust and confidence in public institutions.

And while governments in many developing economies are more confident and in a better position to shape their futures, these countries still need to maintain fiscal discipline whilst also coping domestically with the consequences of crises in other regions.

Says Jan Sturesson, PwC's Global Leader, Government and Public Services:

"All governments have a duty to focus on returns on investment and maximise value for taxpayers, whether or not spending is being reduced - whilst improving the quality of services delivered to the public. One thing is clear: with an increasingly disruptive future, 'business and government as usual' is not an option."

The common agenda for government mentioned earlier falls into three categories:

- 1. Dealing with deficits.** Prioritisation, making tough choices, and doing more or the same for less are the keys to success. "Governments around the world are facing the need to reduce deficits and debt in order to avoid the risk of consuming their citizens' future." says Stuesson. The priorities to deal with deficits are :
 - Developing and executing plans to achieve better-balanced public finances, focusing on cutting costs and finding new sources of funding
 - With labour costs in mind, developing new approaches to workforce reform
 - Innovating service delivery, in particular by making better use of the private and voluntary sectors
 - Improving accountability and transparency, and
 - Seeking transitional assistance through mechanisms such as Sovereign Wealth Funds.

- 2. Enabling growth.** Governments have a major responsibility to create the right conditions for growth which is financially, economically and environmentally sustainable i.e. 'good growth'. "State and city-owned companies provide an invaluable opportunity for governments in the areas of job creation and fostering innovation. A new scorecard that focuses on measurement beyond traditional financial metrics is needed to provide a holistic view for government leaders as well as taxpayers." Three key features for enabling growth include:
 - Cities, which are a key engine of sustainable growth. 'Smart cities' are also heralding a new level of cross-sector collaboration, driven by a focus on clean technologies, energy efficiency and sustainability
 - Clusters of economic activity, which are vital to competitiveness as is the need for innovation systems and new ways of prototyping and financing growth, prioritised and focused through national innovation strategies
 - A balanced, integrated infrastructure programme, which is needed for any modern economy to function effectively and competitively.

- 3. Tackling the talent crunch.** "Collaboration between the public and private sectors is critical to the recruitment and retention efforts facing leading organizations. Governments can do more to create an environment to overcome market skills and talent shortages," says Scott McIntyre, Global Government & Public Services Co-Leader. Governments have a responsibility to help businesses meet their skills needs by:
 - Creating programmes that will equip people with a range of 'employability skills'
 - Developing new career entry paths which provide recognised and credible routes to high-skill careers
 - Tackle untapped and under-used talent pools which could boost productive potential.
 - There are many other actions that government and public sector organisations must also take as employers in order to retain and engage their core staff – including increasing the attraction of public service, developing a durable strategic workforce plan, defining talent needs, systematically mapping talent and nurturing local talent.

The CEO Survey leads to the inevitable conclusion that it is fiscal balance, good growth and employable talent that are the key ingredients needed by any society seeking a stable economic future. Concludes McIntyre:

"Governments face different priorities and will need different approaches according to unique national and local circumstances. But there is no doubt that the future of the global economy



depends on governments and businesses – individually and collectively – making the right decisions and taking responsibility to deliver on this monumental agenda.”

Notes

1. The research for ***Taking responsibility: Government and the Global CEO*** involved a series of interviews with 23 government officials. The findings from this qualitative research were used to supplement the quantitative survey comprising 1,258 interviews with CEOs in 60 countries during the last quarter of 2011. A full copy of ***Taking responsibility: Government and the Global CEO*** can be found at www.psrc.pwc.com
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