

**DIRECTORATE FOR FINANCIAL AND ENTERPRISE AFFAIRS
INVESTMENT COMMITTEE**

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WORK PROGRAMME AND BUDGET 2011-2012

Output Area 4.1.5. Private Sector Development

At its meeting on 25 March 2010, the Investment Committee agreed that the regional investment programmes serviced by the Private Sector Development Division in the Directorate for Financial and Enterprise Affairs be regrouped under a separate Private Sector Development Output Area. Following the approval by the Budget Committee of a new output area (4.1.5) on 7th June 2010, the work programme and budget for Private Sector Development is outlined in this document for review and approval under written procedure. If no comments are received by the Secretariat by 25 June 2010, the programme of work and budget will be considered approved.

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WORK PROGRAMME AND BUDGET 2011-2012

OUTPUT AREA 4.1.5. PRIVATE SECTOR DEVELOPMENT

At its meeting on 25 March 2010, the Investment Committee agreed that the regional investment programmes serviced by the Private Sector Development Division in the Directorate for Financial and Enterprise Affairs be regrouped under a separate *Private Sector Development* Output Area. Following the approval by the Budget Committee of a new output area (4.1.5) on 7th June 2010, the work programme and budget for *Private Sector Development* is outlined in this document for review and approval under written procedure. If no comments are received by the Secretariat by 23 June 2010, the programme of work and budget will be considered approved.

Policy Environment:

Emerging markets are playing an increasingly important role in the world economy. Beyond the OECD's Enhanced Engagement countries,¹ many countries in the Middle East and North Africa, South East Europe, Central Asia, Eastern Europe and the South Caucasus (EESC) and Latin America and the Caribbean (LAC) have demonstrated consistently high levels of economic growth and investment in recent years, following a wave of reforms to improve the investment environment. Collaboration with these countries has demonstrated its value to OECD members, by encouraging greater trade, investment and stability.

Enthusiasm in non-member regions to pursue best practice business climate policies has been palpable, even in the midst of the crisis. For instance, the MENA Ministerial in Marrakesh in November 2009 brought together Ministers and leaders from private sector and civil society to take stock of progress and outline a roadmap for investment and governance reforms through a "Marrakesh Declaration". Similarly, the two recent Ministerial events with the South Caucasus and Ukraine and with Central Asia underscored a momentum to implement business climate reforms in these regions.

Extensive work to support private sector development and competitiveness is currently being carried out by the OECD through regional Programmes such as the Middle East and North Africa (MENA) Investment Programme, the Eurasia Competitiveness Programme (ECP) and the Investment Compact for South East Europe (IC SEE). Placing a strong emphasis on horizontal collaboration with other units within and outside the OECD and continuous involvement of private sector representatives, these regional Programmes support non-member countries to improve their business climate with innovative tools such as the Policy Framework for Investment (PFI) and its related handbook, national Business Climate Development Strategies (BCDS), Sector Competitiveness Strategies (SCS) and regional expert Working Groups (WG). Impact is achieved at the regional level by helping countries work together and build capacity in addressing common business climate challenges through regional dialogue, policy evaluation and capacity building. At the national level, the Programmes support countries to select, design and implement reforms to improve their business climate.

In the Western Balkans, the challenge of raising productivity and innovation in the business sector has been intensified by the global economic crisis. The region's exports remain dominated by raw materials and manufactured goods that embody relatively little value added or technological content. Among other actions, governments in the region need to devote resources to preparing and implementing long-term strategies in the areas of human capital development and innovation. The Regional Competitiveness Initiative (RCI), which will include capacity building and policy recommendations in the areas of human capital and innovation, is designed to assist governments in the Western Balkans with precisely these challenges.

The MENA region has made considerable progress in recent years, with global FDI inflows more than quadrupling since 2004 and some countries experiencing relatively rapid GDP growth. However, private investment is still low compared to global benchmarks and the perception of risk for foreign investors remains high. One of the fundamental challenges in the MENA region continues to be implementation of reforms due to weak institutional capacity.

¹ China, India, Brazil, Indonesia, South Africa.

Responding to these challenges, the third phase of the MENA Programme will place the emphasis on capacity building for implementation of reforms in the areas of investment policy, tax policy, corporate governance, SME policy, women's entrepreneurship, business integrity and competitiveness. The Programme will also expand country-specific policy recommendations to support policy reforms and attract more and better investment.

With a combined total of over 150 million people, an educated workforce and abundant energy resources, Central Asia (CA), the South Caucasus and Eastern Europe (EESC) are emerging as attractive destinations for investment and trade. Both CA and EESC have a strategic geographic location between the East and West where it is particularly important to promote economic and political stability. However, while these regions have attractive assets, their competitiveness is held back by the poor quality of the business environment due to the weak legal and economic institutions, an underdeveloped private sector and other legacies of a centrally planned economy. The Eurasia Competitiveness Programme is supporting these regions through a combination of regional policy dialogue and policy evaluations covering selected areas of the Policy Framework for Investment (PFI), SME and competitiveness policies. The Programme will also deliver several country policy recommendations.

While the Latin American and Caribbean (LAC) region has demonstrated impressive economic growth and attracted record levels of investment in the last few years, this has often been achieved against a background of persistent poverty and high levels of inequality. Building on the extensive work already conducted by the OECD, regional policy dialogues will be conducted in the areas of investment promotion and small and medium size enterprise (SME) policy to deliver policy recommendations on how to reduce the gaps in economic welfare in the region.

2011-12 Expected Output Results in Priority Order	Accountable Committee/ Subsidiary Body/ Global Forum	Ongoing/ Timebound (end-date)	2011 (K EUR)					2012 (K EUR)				
			Total Estimated Cost (TEC)	Part I Budget	CPF	VCs in Hand	New VCs	Total Estimated Cost (TEC)	Part I Budget	CPF	VCs in Hand	New VCs
1. Enhancing Private Sector Development, Competitiveness and Investment in South East Europe through seven regional policy dialogues (including one Ministerial), two policy evaluations, two capacity-building workshops and six reports with policy recommendations.	IC	Q4 2012	3300			1300	2000	3300			1300	2000
1.1. Seven regional policy dialogues, two policy evaluations and two capacity-building workshops.	IC	Q4 2012	1300	-	-	1050	250	1300	-	-	1050	250
1.2. Four country reports and two regional reports with policy recommendations.	IC	Q4 2012	2000	-	-	250	1750	2000	-	-	250	1750
2. Enhancing Private Sector Development, Competitiveness and Investment in Middle East and North Africa through seventeen regional policy dialogues (including one Ministerial), eight regional policy evaluations, twelve capacity-building workshops, and four reports with policy recommendations.	IC	Q4 2012	4000				4000	4000				4000
2.1. Seventeen regional policy dialogues, eight regional policy evaluations and twelve capacity-building workshops.	IC	Q4 2012	2000				2000	2000				2000
2.2. Four country reports with policy recommendations	IC	Q4 2012	2000				2000	2000				2000

2011-12 Expected Output Results in Priority Order	Accountable Committee/ Subsidiary Body/ Global Forum	Ongoing/ Timebound (end-date)	2011 (K EUR)					2012 (K EUR)					
			Total Estimated Cost (TEC)	Part I Budget	CPF	VCs in Hand	New VCs	Total Estimated Cost (TEC)	Part I Budget	CPF	VCs in Hand	New VCs	
3. Enhancing Private Sector Development, Competitiveness and Investment in Central Asia, Eastern Europe and South Caucasus , six regional policy dialogues (including one Ministerial), two policy evaluations, two capacity-building workshops and four country reports with policy recommendations.	IC	Q4 2012	6000			4183	1817		6000			4219	1781
3.1. Six regional policy dialogues, two capacity-building workshops, two policy evaluations.	IC	Q4 2012	2000			1489	511		2000			1504	496
3.2. Four country reports with policy recommendations.	IC	Q4 2012	4000			2694	1306		4000			2715	1285
4. Enhancing Private Sector Development, Competitiveness and Investment in Latin America and the Caribbean through four regional dialogues and two reports with policy recommendations.	IC	Q4 2012	250				250		800				800
4.1. Four regional dialogues.	IC	Q4 2012	150				150		300				300
4.2. Two reports with policy recommendation.	IC	Q4 2012	100				100		500				500