

Preface

Business for Development is one of three principal thematic areas of the Development Centre's 2007-2008 Programme of Work. The two other areas are *Financing Development* and *Policy Coherence for Development and Human Security*. Drawing on contributions from across the OECD, it presents a wide-ranging review of the role of the private sector in economic development and poverty reduction and how it can best be encouraged.

Sustained development of the private sector is a necessary condition for sustained growth and achieving the Millennium Development Goals. Whilst there are indeed signs of an expansion in business activity in many low-income countries, as evidenced, for example, by the growing range of exports, any such progress must be placed in the context of a rapidly evolving global economic landscape.

Over recent years, competition has been intensifying as a result of the emergence of new important global actors, most notably China and India. The fragmentation of international production, which is expected to continue apace in the coming decades, has already had far-reaching implications for the performance of developing-country firms and their strategies in terms of building productive capacity and enhancing technological capabilities. Furthermore, the expanding set of multilateral, regional and bilateral trade agreements is modifying the regional configuration of trade and is leading, *inter alia*, to important changes in the formation of global value chains.

Governments in both low-income and emerging economies need to take these developments into account. This volume emphasises, furthermore, the importance that they should attach to adopting a *forward-looking* approach as they seek to mobilise private investment — both domestic and foreign — and foster local entrepreneurship. If they identify and tackle specific areas of co-ordination failure concerning investment, such as a lack of innovation and insufficient effort at R&D, they can indeed make a substantial contribution to private sector development.

Louka T. Katseli
Director
OECD Development Centre
April 2007