

A MORE STRATEGIC FOCUS

Many developing countries have identified PSD as a priority sector for development cooperation, based on the recognition that countries such as Canada can offer experience and assistance in building the legal and regulatory frameworks that underpin successful economies.

Canada can bring a variety of resources to bear in support of PSD, such as: recognized experience and capacity in reform of taxation and financial-sector regulation; experience and capacity in supporting micro-finance; a good track record in capacity building for cooperatives, based on the rich experience of the Canadian cooperatives movement; skills and knowledge related to environmentally and socially sustainable business practices; experience in facilitating investment linkages; and widely recognized competence in trade negotiations, implementation of trade agreements and trade-related capacity building.

Resources will be targeted in countries and in programming areas where Canada can demonstrate expertise and sufficient critical mass to have a meaningful impact on poverty reduction.

In response to specific African requests for increased investment in commercial ventures that contribute to development, the Government has already launched the Canada Investment Fund for Africa, which will start operating in 2005. This Fund will have a minimum targeted aggregate capital of \$200 million, half of which has been provided by Canada, and will provide risk capital to support growth-generating private investments.

Consistent with the recommendations of the UN Commission on the Private Sector and Development, Canada will focus PSD assistance in three main programming areas:

- **Creating an enabling environment.** Through Canada Corps and other initiatives, Canada will support smart policy, legal and regulatory reforms to address constraints to doing business faced by entrepreneurs, especially micro, small and medium-sized enterprises, in development partner countries. Canada will particularly focus on helping entrepreneurs operating in the informal economy, especially women, to start up formal enterprises, and on fostering a level playing field for small enterprises through

improved enterprise registration and incorporation procedures, and reform of contract, property; and tax, laws and other government-created barriers to growth.

- **Promoting entrepreneurship.** Based on strong Canadian historical experience in rural development, including the cooperative movement, Canada will support access by micro, small and medium-sized enterprises to the finance, skills and knowledge needed, especially women entrepreneurs, to drive innovation and growth. This was highlighted as a critical gap by the UN Commission on the Private Sector and Development.
- **Supporting connection to markets.** Canada will help developing countries integrate into the global trading system, and promote fair economic opportunities for entrepreneurs. Canada will focus on helping development partner countries to implement trade agreements—an area of particularly rich Canadian experience—and on helping women and men who are entrepreneurs, especially in rural areas, to supply goods and services to local, regional and international markets (for example, by encouraging multinational corporations and international agencies to source more goods and services from developing country entrepreneurs).

As infrastructure has been identified as a critical element of the private sector enabling environment in development partner countries, Canada will continue to support investments in basic infrastructure through multilateral channels and viable new financing approaches, while promoting transparent access to competitive procurement opportunities for interested Canadian firms.

Advancing Environmental Sustainability

Environmental sustainability will be a priority in Canada's development cooperation. It will also be systematically integrated into decision making across all programming. Canada will assist countries to create, maintain and enhance environmental sustainability, particularly in relation to climate change, land degradation, freshwater and sanitation, and urbanization. Canada will also work to strengthen global environmental agreements, capacity development and multilateral funding institutions.