

## Private Sector Development and COVID-19 Development Cooperation Response of Belgium

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The Belgian development cooperation is acutely aware that the consequences of the COVID-19 crisis, beyond their short-term sanitary consequences, will be dramatic for developing economies in the long-term. Whilst the first priority is to ensure the safety of populations, helping the private sector in developing economies redevelop post-crisis will be one of the key ways donor countries can minimize the long-term human costs of the current crisis. DGD, Belgium's Directorate-general for Development Cooperation and Humanitarian Aid, will address both these long-term and short-term issues through continued support for the development of the private sector in its partner countries and through the adaptation of certain existing programs to tackle, through the local private sector, the more immediate health-related consequences of the coronavirus pandemic. Part of the existing funding has therefore been reoriented accordingly and has been directed towards health care, research, water and sanitation but also towards further private sector development.

### BIO - The Belgian Investment Company for Developing Countries

BIO, the Belgian DFI, has a specific focus on the development of local MSMEs in which it invests both directly and indirectly (through FIs, MFIs, NBFIs, Investment Funds). In geographical terms, Africa is a strategic priority region for BIO, accounting for almost half of its investment portfolio. As in terms of DAC-categories, BIO's investment activities concentrate mainly on Low Middle Income Countries (42%) and Least Developed Countries (29% of its portfolio). BIO's clients are particularly vulnerable to the negative effects of the Covid-19 crisis and an increasing number of them are facing serious liquidity problems. To meet their clients' most pressing needs, BIO has established an Emergency Financing Facility, a temporary instrument for the rapid provision of financial means (through loans and equity) aimed at helping existing clients to bridge this difficult period. The facility will allow a certain degree of flexibility with regard to specific aspects such as the level of return on investment (lower) and investment assessment procedures (less comprehensive and faster) but the basic principles of sound financial management, good governance, the respect of E&S standards and prevailing market terms will continue to apply unchanged. The budget needed for the facility is estimated at 50 million euro and will consist of committed non-allocated funds. The facility will only be invested in existing clients with good survival prospects.

### ENABEL – The Belgian Development Agency

For over 20 years, Enabel has been implementing the Belgian policy for international development. Through its 150 projects (230M€ annual disbursement), Enabel provides customized expertise, including Belgian public expertise, promotes the involvement of all and pursues top-level partnerships. In reaction to the Covid-19 crisis, Enabel developed an overall response strategy, which serves as a framework for adapting its current pipeline of interventions, in close consultation with the governments of its partner countries and other technical and financial partners. This response strategy aims to provide guidelines to make sure Enabel's interventions are adapted in the most efficient way.

In general, Enabel considers Private Sector Development as a significant instrument in its approach to reach SDG's. PSD projects are currently operated in 12 countries, out of which 7 are fragile States. Already at the beginning of the Coronavirus outbreak, it became clear that the mid-term and long-term

socio-economic consequences of the pandemic would be huge. Therefore, Enabel immediately started working with the African governments to prepare for the after-crisis period. Relying on its actual portfolios, Enabel has the opportunity to support its partner countries in their evaluation and anticipation of the crisis; to help them consolidate the private sector by capacity building of the intermediary organizations and federations, at their turn reinforcing the local companies; to work with local authorities to find alternative (ways of) work for the unemployed; to find ways to engage their diaspora in partnerships with the local companies.

On the level of MSMEs, Enabel is supporting local companies and startups in order to stimulate the local economy and foster innovative solutions: support solutions developed by the private sector to guarantee access to basic goods and services (water, energy, food, health and sanitary products); facilitate the dialogue between governments and the vibrant startup-scene by creating platforms for co-created solutions; support the government in their short-term recovery plans including for example both financial measures and business development services for workers, farmers and enterprises in difficulties.

Some very concrete examples from our projects in Senegal: in terms of decision support, Enabel is financing a Covid-19 economic impact study with the National Institute of Statistics of Senegal. In terms of support to access to markets, Enabel focused on strengthening local supply chains by restoring trade flows and short supply chain channels between consumers and producers. Enabel set up small solar-powered cold storages/chambers in key locations to preserve vegetables, enabled producers to reference their products on e-commerce platforms, developed a network of local “distribution centers” (where consumers can come and pick up their orders) and launched an information campaign for regional consumers to convince them of the advantages of buying products from local producers.

#### The Trade for Development Center

This program, implemented by Enabel, aims to help MSMEs and cooperatives expand and consolidate their businesses through long-term marketing and financial training courses delivered by international experts directly to local participants. The TDC will continue to deliver on its mission despite the COVID-19 crisis, switching to online coaching where possible, and, importantly, trying to shift the focus away from “western experts” to working more with local experts and business support organizations in order to deliver on the different coaching packages. Small funds will be made available to MSMEs and cooperatives to enable them to adapt to the situation caused by the Covid-19 pandemic.

#### Specific PS(4)D Instrument - The Business Partnership Facility (BPF)

The Business Partnership Facility (BPF) has quickly become one of Belgium’s signature PSD mechanisms, supporting local MSMEs through grants (matched with at least the equivalent in private capital) designed to boost business growth and help local businesses secure financial resources for their future. In the light of the COVID-19 crisis, additional funds amounting to €2.5 million will be allocated to the BPF, in order to launch a new, one year rolling call for proposals that, while maintaining the good governance and sound market principles, will respond more flexibly and give priority to MSMEs that show potential in tackling one of the many aspects of the sanitary crisis.