Private Sector & Development
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“With technical assistance, the European Union supports sustainable growth and decent jobs in developing countries”

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An interview with **Erica Gerretsen**, Acting Director for sustainable finance at DG International Partnerships, European Commission

In this interview, INPA’s Erica Gerretsen speaks of the need to mobilise funds to achieve the Sustainable Development Goals (SDGs) in developing countries, citing the need to promote partnerships. The European Union’s partner countries, especially in Africa, want to ensure their citizens have sustainable livelihoods. They also want to shift to inclusive, green economies with extensive digitalisation. These are EU priorities too. To implement these common priorities, innovative financial instruments and technical assistance are enabling a dynamic private sector engaging whole populations.

PS&D: WHAT IS NEEDED TO ACHIEVE THE SUSTAINABLE DEVELOPMENT GOALS (SDGS) IN DEVELOPING COUNTRIES, AND WHAT ARE THE PRIORITIES OF THE EUROPEAN UNION (EU)?

Erica Gerretsen: There is a massive shortfall between the development assistance needed worldwide and the amount currently available. In 2019, the UN Secretary-General estimated the gap in financing needed to achieve the Sustainable Development Goals (SDGs) in developing countries to be USD 2.5-3 trillion per year. But in 2020, official development assistance (ODA) provided by countries that are members of the OECD's Development Assistance Committee (DAC) came to 'just' USD 161 billion. To mobilise funds, we need to promote partnerships and "build back better".

Our partner countries, especially in Africa, are seeking to create decent jobs on a massive scale and to ensure their citizens have sustainable livelihoods in the wake of the COVID-19 pandemic. They also want to shift to inclusive, green economies with extensive digitalisation. These are our priorities too. We need to support our partner countries in our common efforts.

> *Our recent strategy with Africa highlights one thing: sustained economic transformation and growth across the continent can only happen with a dynamic private sector that draws on the creativity and entrepreneurship of all Africa's people.*

HOW IMPORTANT IS IT FOR THE EU'S EXTERNAL AID TO SUPPORT PRIVATE SECTOR DEVELOPMENT IN DEVELOPING COUNTRIES?

Only with the resources that the private sector can harness will we be able to close that investment and financing gap, especially in today's context of recovery from COVID-19. That is why one of the main goals of the EU's external aid is to help the private sector in developing countries to flourish. We all need to "build back better". Promoting partnerships helps us achieve that goal. For the EU, this means working better together as Team Europe with our Member

States and European development finance institutions in partner countries. Only in this way, with all the partners on board, can we achieve greater cooperation and synergies between the different actors, make our efforts more efficient and maximise our development impact.

Microenterprises, cooperatives and other inclusive businesses, as well as small and medium-sized enterprises, will play an important role in these endeavours, not least through the innovation and investment they bring.

Indeed, our recent strategy with Africa highlights one thing: sustained economic transformation and growth across the continent can only happen with a dynamic private sector that draws on the creativity and entrepreneurship of all Africa's people – not least its women, youth and vulnerable populations.

HOW DOES THE EU'S TECHNICAL ASSISTANCE (TA) BENEFIT THE PRIVATE SECTOR IN DEVELOPING COUNTRIES?

With TA, the EU supports sustainable growth and decent jobs in developing countries in six main ways: boosting trade and sustainable investment; improving the investment climate and the business environment; increasing access to quality education and skills; advancing regional integration; making value chains more sustainable; and promoting decent work and preventing child labour and forced labour. We focus in particular on Africa, Least Developed Countries (LDCs) and fragile states.

The EU uses innovative financial instruments such as the European Fund for Sustainable Development (EFSD) – offering financial guarantees and blended finance, together with TA – to de-risk and mobilise private investment, improve the investment climate, and advance economic integration that supports entrepreneurs, small and medium-sized enterprises (SMEs) and start-ups, and in this way bring concrete benefits to local communities. In 2020, the EU provided almost EUR 500 million to support reforms that improve the business environment in Sub-Saharan Africa.

WHAT ABOUT PUBLIC-PRIVATE DIALOGUE AND PARTNERS’ PLATFORMS – HOW DOES THE EU SUPPORT THESE?

The EU also promotes dialogue between the public and private sectors. We help the private sector engage in the development process. And we facilitate dialogue between the business community and international financial institutions (IFIs).

For example, we organise the EU-Africa Business Forum (EABF). This was initially set up as a high-level event for dialogue and networking. It takes place in the margins of EU-Africa Summits, as well as in sector-specific formats as a permanent structure. It brings together African and EU business and public-sector leaders from across the two continents to discuss how to improve the investment climate and increase opportunities for sustainable economic cooperation. The seventh edition of the EABF is scheduled for the first quarter of 2022.

CAN YOU PROVIDE A CONCRETE EXAMPLE OF THE EU’S INITIATIVES THAT PROMOTE PRIVATE SECTOR DEVELOPMENT?

Let me give you a recent example of EU flagship initiatives. It is with the Tony Elemelu Foundation, and is implemented by the GIZ. It targets decent job creation by supporting 2,500 women entrepreneurs in African countries with training and accompanying them in the creation of their businesses. The current EUR 20 million programme started recently and covers a financing component, providing grants to entrepreneurs (the pilot part of the project).

This programme is part of the Team Europe Initiative called ‘Investing in Young Businesses in Africa’, or IYBA. European Commission President Ursula von der Leyen launched IYBA in May 2021 (at the French Financing for African Economies Summit). It will mobilise substantial financing and technical expertise from the European Union and its Member States. It will address the main bottlenecks that hold back young entrepreneurs and small business owners – notably women across Africa – from starting or expanding their businesses. In particular, it will focus on digital, green and inclusive businesses.

CAN YOU GIVE ANOTHER EXAMPLE?

The second example of our initiatives is one which European Commission President, Ursula von der Leyen, also announced in May, at the G20 Global Health Summit in Rome. It is a Team Europe Initiative on manufacturing and access to vaccines, medicines and health technologies in Africa, known as MAV+. The initiative will help create an enabling environment for local manufacturing in Africa and tackle barriers on both the supply and demand sides. It will be backed by EUR 1 billion from the EU budget and European development finance institutions, such as the European Investment Bank.

EU Member States will contribute further funds. These two examples address important challenges for African countries, and especially their private sectors. This initiative operates in a cooperative, collaborative and inclusive way, placing particular focus on youth and women.

HOW WILL TECHNICAL ASSISTANCE THAT BENEFITS THE PRIVATE SECTOR BE INCORPORATED OR DESIGNED IN FUTURE PROJECTS IMPLEMENTED OR FINANCED BY THE EU?

The EU's new financial instrument for external action is the Neighbourhood, Development and International Cooperation Instrument (NDICI) – "Global Europe". It forms part of the EU's current long-term budget up to 2027, known as the Multiannual Financial Framework. Through this instrument, we will extend our use of the Team Europe approach, whereby the EU, its member states and European development finance institutions, such as the EIB, KfW and AFD, work closely together on shared initiatives such as those mentioned above.

Within NDICI-Global Europe, the European Fund for Sustainable Development Plus (EFSD+) will be bolder than its predecessor (the EFSD). EFSD+ offers up to EUR 53 billion in External Action Guarantee capacity. It will have global coverage (the EU Neighbourhood, Africa, Latin America, the Caribbean, Asia and the Pacific) and will provide a full spectrum of financial instruments that will cover, through the EU External Guarantee, sovereign and sub-sovereign (local authorities) lending and the political risks of the EIB's operations – EUR 26.7 billion for the next seven years. EFSD+ will have around ten times the capacity of the previous EFSD for risk sharing. Also, EU budgetary guarantees will provide up to about EUR 14 billion in guarantee capacity to mobilise private finance in our partner countries.

The TA that the EU provides will benefit from this increase in resources and de-risking instruments. It will be linked to the sectors (or investment windows) for which the EFSD+ guarantees targets. These are related to sustainable agriculture, energy and water, MSMEs, digital, sustainable cities; human development, and sustainable finance.

> *The redesigned European Financial Architecture for Development will also help address the challenges of our partner countries more flexibly, by benefiting from the complementary expertise of all those involved.*

WHAT PRINCIPLES GUIDE THE NDICI-GLOBAL EUROPE INSTRUMENT?

We are undertaking our programming based on two important principles to align ourselves more closely than ever with the needs of our partner countries. With the "Policy First" principle, we provide a strong EU political steer and enable our financial partners to strengthen their alignment with EU policy objectives. This is how we can focus on our sustainable development goals. Moreover, with the "Country-driven and Geographic" principle, we recognise that our support can only be as efficient as our strategies and their implementation at a country level.

Vision and leadership on reforms in the countries themselves are essential to adapt to market developments and seize new opportunities. Here our network of EU Delegations is a unique EU asset, with field experience and presence on the ground in over 140 countries. More broadly, the redesigned European Financial Architecture for Development will also help address the challenges of our partner countries more flexibly, by benefiting from the complementary expertise of all those involved.

We will also continue to enhance our public-private dialogue with European and partner private sector representatives. Through close collaboration with the business community, financial institutions and policy-makers, we can empower our partner countries to build back better.

ERICA GERRETSEN

Erica Gerretsen has been working in the European Commission Directorate-General in charge of International Development Cooperation (DG DEVCO) since 2003, mostly on Africa. In 2016, she was appointed head of unit at DEVCO A4 “Budget Support, Public Finance Management and Domestic Revenue Mobilisation”. Since 16 January 2021, she has been the acting director for the newly established directorate in charge of “Sustainable finance, jobs and growth, an economy that works for the People” of the DG INTPA for International Partnerships.

INTPA

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