

IFC and the European Union

Partners in Private Sector Development



OVERVIEW

IFC, a member of the World Bank Group, is the largest global development institution focused on the private sector in emerging markets. Working in more than 100 countries, IFC committed a record \$32.8 billion in own-account investments and mobilization from third parties to private companies and financial institutions in developing countries in fiscal year 2022 (FY22).^{*} IFC has a long-standing partnership with the EU, with a particular focus on policy dialogue and cooperation on a large number of initiatives and projects. EU Member States hold almost a third of IFC's shares. IFC cooperates with EU institutions, including the European Commission (EC), IFC's main counterpart, and the European Parliament (EP). IFC engages with the EP mainly on issues related to the EU development policy, by liaising with the relevant Members of the European Parliament and committees, as well as through the World Bank's Parliamentary Network.

IFC AND THE EUROPEAN COMMISSION

The EC is one of IFC's most important development partners and currently supports IFC in many countries around the world. Between FY18-22, the EC had provided cumulative funding of over \$164 million to IFC's advisory services initiatives, as well as \$58 million in FY23 for the Small Loan Guarantee Program (SLGP). IFC's relationship with the EC is far-reaching, including a number of areas focused on private sector development, fragile and conflict situations and upstream.



IFC AND THE EUROPEAN INVESTMENT BANK (EIB)

IFC collaborates with EIB in the co-financing of the private sector in emerging markets. In 2018, EIB joined IFC and Amundi, Europe's largest asset manager, as an anchor investor in the world's largest targeted green bond fund focused on emerging markets, the Amundi Planet Emerging Green One. The fund is expected to deploy \$2 billion into emerging markets green bonds over its lifetime, aiming to increase the capacity of banks to fund climate-smart investments, in these markets.

^{*}The World Bank Group fiscal year runs from July 1 to June 30 of the following calendar year.

Examples of Successful Cooperation

Accelerating Climate-Smart and Inclusive Infrastructure in South Asia (ACSIIS)

In February 2022, IFC and the EU established a new partnership to help spur investments in energy, water, waste management, transport, logistics, and green buildings to benefit people and businesses in Bangladesh, Bhutan, India, Maldives, Nepal, and Sri Lanka. IFC will implement the project under the program, Accelerating Climate-Smart and Inclusive Infrastructure in South Asia (ACSIIS). Funded with €18 million from the EU, ACSIIS would leverage \$850 million of private sector investments in the region. The partnership is expected to attract private capital for climate-smart solutions in infrastructure, as well as agriculture, manufacturing, tourism, health, and education, contributing to post-COVID-19 recovery in South Asia.



IFC Small Loan Guarantee Program (SLGP), Global

IFC's Small Loan Guarantee Program (SLGP) is supported by a €58m first loss guarantee from the European Commission under its EFSD program. This is the first IFC-EU partnership on blended finance to support IFC's investment program. SLGP facilitates local-currency lending to small businesses in markets where lending is constrained by informality, high collateral requirements, and risk aversion, by providing risk mitigation in the form of risk-sharing facilities with local financial institutions covering a portfolio of loans to very small, small and medium enterprises. IFC shares the credit risk with partner financial institutions to encourage them to expand their risk appetite and meet the financial needs of small businesses. SLGP is also supported by the International Development Association's Private Sector Window (IDA PSW). The program targets 57 countries in Africa, MCT and Europe, and is expected to increase financial inclusion, job creation and bridge the SME finance gap by supporting the financing needs of SMEs in vulnerable macroeconomic environments.

Energy Efficiency in Ukraine

Designed and launched with IFC's support in 2019, the Ukraine Energy Efficiency Fund (EEF) is part of the overall effort by the Ukrainian government to increase the country's energy efficiency, lessen its dependence on energy imports and reduce CO2 emissions. The €15 million advisory program is financed by the European Commission and manages the €100 million grants disbursing Multi-donor Trust Fund with contributions from the EU and Germany. The grants from the MDTF co-finance the energy efficiency projects along with the EEF. The advisory program aims to create a conducive environment for energy efficiency upgrades and works with banks to tailor products and services to help homeowners' associations carry out these upgrades. As of December 2022, together with the EEF, the project disbursed nearly \$20 million in grants to 241 energy efficiency modernization projects, 117 of which have been completed with the remaining ones continuing the construction work amid the raging war.

In June 2022, the IFC managed program was restructured with half of the funds repurposed for the housing needs of war affected people in Ukraine. The program added the Crisis Response component which includes a grant program with the EEF focusing on light renovations of multifamily buildings affected by war, and a grant program to support municipalities to renovate suitable buildings to house internally displaced people (IDPs). The new component also added 2 new advisory initiatives - a communication and outreach program to support IDPs and their hosts, and a comprehensive study on delivery of affordable housing through PPP in post-war Ukraine.

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