

PROJECT FACTSHEET

IFC Promoting Investment through Integrated ESG Standards Program

Bosnia and Herzegovina – February 2022



Schweizerische Eidgenossenschaft
Confédération suisse
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Embassy of Switzerland in Bosnia and Herzegovina



ESG STANDARDS AND INVESTMENTS

Contemporary practices and international environmental, social, and governance (ESG) standards are crucial for private sector investments. It is an important segment of the UN Global Agenda 2030.

ESG standards ensure the long-term sustainability of business results and the implementation of UN Sustainable Development Goals (SDGs).

The regional *IFC Promoting Investment through Integrated ESG Standards Program*, co-financed by the Swiss State Secretariat for Economic Affairs (SECO), deals with the promotion of sustainable investment with the most important effects:

- Improving the efficiency of the financial sector by building long-term sustainable markets that integrate ESG practices
- Facilitated access for investments by actual sector companies through improved ESG practices and their harmonization with the international standards

PROJECT APPROACH CUSTOM-MADE TO EACH OF THE PARTICIPATING COUNTRIES

SECO has made significant progress by implementing a modern corporate governance concept in the region. On the other hand, additional efforts, time, and money are needed to promote sustainability. The pilot project from 2017 was a kind of test for implementing integrated ESG consulting, which showed the justification of investing in this segment.

Prioritization and program selection are adapted to the development of the participating countries and each of the markets in Kyrgyzstan, Tajikistan, Ukraine, Georgia, Serbia, Kosovo, Bosnia and Herzegovina.

At the request of the SECO, which mainly finances the project in cooperation with the International Finance Corporation (IFC), a modular, fully adapted approach was developed to the target

markets of the participating countries through the application of *maturity matrix*.

The maturity matrix shows the market's development with a starting point from five years ago, through the growth that the market has managed to achieve as part of previous project initiatives, and, finally, a projection of market development over the next five years (i.e., project implementation time).

According to the *maturity matrix*, countries are divided into two basic categories:

1. Countries where the focus should remain on corporate governance with the sporadic application of the ESG standards: Kyrgyzstan, Tajikistan, Kosovo
2. Countries where project support will be built on the power of corporate governance and where the economy's markets will be raised to a higher level through the integration of ESG standards and sustainable finance: BiH, Georgia, Serbia, and Ukraine.

The selection of economic sectors involved in the project was based on a detailed evaluation of the needs of each of the participating countries, potential growth of the chosen industries, strategic priorities of IFC and SECO, and potential impact, especially in the financial sector.

The project focuses on **three priority areas (I) financial institutions, (II) infrastructure, (III) agribusiness and services**, which will enable targeted interventions at all levels and the creation of support networks in participating countries.

NEW ELEMENTS OF PROMOTING INVESTMENT THROUGH ESG STANDARDS

The *IFC Promoting Investment through Integrated ESG Standards Program* is entirely complementary to previous similar initiatives, but it brings new essential elements:

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- Implementation of the most successful international business practices through the ESG standards
- For the World Entrepreneurs Investment Forum (WEIF), the project initiative represents an improvement compared to previous corporate governance programs
- The program is connected to the modular business approach from previously implemented corporate governance programs
- The duration of the program has been extended to five years
- The program contributes to the global UN agenda

THE NEED FOR ESG PRACTICES IMPLEMENTATION AND PROJECT OBJECTIVES

ESG practices must be adopted and implemented to strengthen market economies in developing countries. Modern systems based on ESG principles enable companies to adequately identify environmental, economic, and management risks and manage them purposefully.

Better ESG practices are directly correlated with companies' business results, better access to capital, and better development and business plans.

Contrary, inadequate ESG practices often contribute to financial problems and negative impacts on society and the environment.

The project aims to promote sustainable investments through a programmatic approach focused on ESG standards in financial and real sectors.

The program fully follows international trends with a holistic ESG approach, applying the experience from previous SECO interventions.

The objectives include two groups of activities:

- **Demand creation** for better sustainable business practices through the establishment of ESG frameworks and guidelines through cooperation with the financial sector and capital markets so that ESG practices become a precondition for investment
- **Supply creation** and finding companies whose business is in line with ESG standards to meet the conditions required by investors and banks, but also to improve their financial and operational results

KEY PROJECT COMPONENTS

The project is implemented through five key components:

Component 1: Mobilize investors and financial intermediaries to apply ESG standards

Component 2: Support the integration of ESG standards into Codes and regulations

Component 3: Build Capacity of Local Partners to provide ESG advisory

Component 4: Promote awareness on the relevance of good ESG Standards and Practices

Component 5: Support Companies in becoming ESG Leaders

PROJECT IN BRIEF

NAME:

IFC Promoting Investment through Integrated ESG Standards Program

DOMAIN:

Investment, Economics, and Management

LAND/REGION:

Bosnia and Herzegovina, Georgia, Kyrgyzstan, Serbia, Kosovo, Tajikistan, Ukraine

PARTNERS:

International Finance Corporation (IFC)
Institutional partners (line ministries) in the participating countries.

STARTING POINT / BACKGROUND INFORMATION:

The International Finance Corporation (IFC) has updated its corporate governance methodology to implement environmental and social risk management. IFC ESG standards directly help implement the UN Sustainable Development Goals. Implementing ESG standards in all countries participating in the program will significantly improve their market, environment, and business.

PROJECT OBJECTIVE:

To promote sustainable investments through a programmatic approach focused on ESG standards in the financial and real sector.

TARGET GROUP:

Private and public sector in:

1. Financial institutions,
2. Agribusiness and services
3. Infrastructure

COSTS:

\$ 7.3 million, of which the Swiss share
\$ 5 million (SECO)

DURATION:

1.7.2019 - 30.6.2024

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