Environmental and Social Fund for Africa

SUPPORTED BY
THE JAPANESE GOVERNMENT

Multilateral Investment Guarantee Agency
World Bank Group
The **Multilateral Investment Guarantee Agency** (MIGA), a member of the World Bank Group, promotes foreign direct investment into emerging economies to support economic growth, reduce poverty, and improve people's lives. MIGA provides political risk insurance for investments that are socially and environmentally sound, offering protection against risks such as currency inconvertibility and transfer restrictions; expropriation; war and civil disturbance; and breach of contract. MIGA also provides investment dispute mediation services for guaranteed investments in order to help countries and clients retain investments and keep their benefits on track.

**ABOUT THE FUND**

In January 2007, MIGA launched a trust fund to provide technical advice on environmental and social matters to foreign investors in Africa. The fund, supported by a grant from the Japanese government, is open on a case-by-case basis to investors already receiving, or being considered for MIGA guarantees for projects in Africa. The goal of the trust fund is to ensure that investments comply with MIGA's environmental and social policies, and that investors are able to assess a project's environmental or social impacts and receive best-practice advice on issues such as land acquisition, local community benefits, and effective consultation.

MIGA applies the same set of social and environmental performance standards as the IFC and the Equator Banks. The standards can be downloaded from MIGA's website (www.miga.org/policies).

MIGA's team includes environmental and social specialists with a wealth of experience in all sectors of business, as well as an extensive network of specialist consultants from within and outside the World Bank Group.

**HOW THE FUND HELPS INVESTORS**

Identifying and managing the short- and long-term environmental and social impacts of projects is important to mitigate project risks—to secure development benefits. For example, building environmental and social concerns into project design can help projects avoid the
risk of pollution, as well as exposure to attendant liabilities. And ensuring that land is acquired in a transparent and equitable way, and that communities share in the benefits of investments, helps secure the local “license to operate.” Incorporating stakeholder consultation into project design is an important way of informing communities about projected development impacts and for building long-term community and political support. This process also informs investors about local priorities, capacities, and complexities, which are key to successful project implementation.

The trust fund is able to help clients understand and manage a project’s social and environmental risks, ensuring, among other things, that impact assessments are up to standard, and that projects comply with MIGA’s environmental and social policies, thus facilitating project approvals and financing.

The fund is geared toward several investor groups, including the growing number of investors making cross-border investments between developing countries (South-South), as well those making investments in frontier markets and conflict-affected countries, where environmental and social issues can be especially complex. MIGA can help guide companies dealing with, for example, transparency requirements, the set-up of community programs, and the implementation of the Voluntary Principles on Security and Human Rights.

GETTING SUPPORT FROM THE FUND
MIGA clients or prospective clients can request fund support to help address the environmental or social aspects of an investment. Following a request for support—and the client’s agreement to consider involvement by the fund—MIGA evaluates, in cooperation with the client company, what type of support it can provide. This evaluation usually involves a visit to the project site. Subsequent support from the fund typically involves expert consultants brought in to work with the client on the specific tasks identified in the site visit.

When a project gets the go-ahead for trust fund support, a letter of agreement is drawn up between MIGA and the client, defining the work to be done, as well as the roles and responsibilities of the client company, MIGA, and the consultant. Clients also make a contribution to the work, for example by providing on-site assistance to MIGA and the consultant and/or financial support to project costs. This is determined on a case-by-base basis.

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