



MIGA: Advancing Sustainable Investments

Driven by social change and successful awareness-raising, “sustainability” has become a popular catchphrase for many businesses.

A broad set of acceptable environmental and social standards, or best practices, has gained significant traction among the drivers of business: investors, lenders, and governments. Underpinning this is the realization by many that adherence to these best practices often goes hand-in-hand with an investment’s economic and financial sustainability.

Nevertheless, in most cases, private and public sector-led development does have an impact on local environment and social conditions. These effects can run the gamut—from minor implications in, for example, the construction of an office building, to major consequences in projects such as those in the infrastructure, mining, and oil and gas sectors. On the one hand, there is a need to create roads that ease movement of people and goods,

power projects that electrify hospitals and homes, and mining ventures that contribute to economic development and provide jobs. On the other, there are very real concerns about these activities’ effect on the environment and the well-being of local populations. This is a delicate and complex balancing act.

As a political risk insurance provider that is part of the World Bank Group, MIGA supports investments that are developmentally sound and meet social and environmental standards designed to mitigate adverse impacts. We apply these standards to all projects and offer our expertise and resources, including trust fund support, to help investors navigate them. They are a powerful tool for identifying risks and improving long-term project sustainability—benefiting affected communities and preserving the environment.

While larger, more sophisticated investors may have the expertise and resources to ensure that their investments are consistent with international best practice, smaller or less experienced investors often do not. Here MIGA can add particular value.

MIGA insures foreign direct investments against losses related to:

- Currency inconvertibility and transfer restrictions
- Expropriation
- War, civil disturbance, terrorism, and sabotage
- Breach of contract
- Non-honoring of sovereign financial obligations

MIGA provides dispute resolution services for guaranteed investments to prevent disruptions to developmentally beneficial projects.

MIGA AT WORK

Insuring the Frontier of Sustainability and Green Infrastructure

MIGA’s early intervention can help ensure that investors reduce the environmental and social risks associated with complex projects. We may also take on these projects to push forward innovative technology that has considerable development potential.

MIGA's involvement in the Weda Bay nickel project in Indonesia is a case in point. The Weda Bay deposit is one of the world's largest undeveloped sources of nickel. Fully developed, it will allow Indonesia to become one of the world's major nickel producers and provide significant employment, major government revenues, and will have an important impact on the local economy.

In an innovative move, MIGA has insured the exploration and feasibility phase of the project. MIGA's involvement at this early stage of the project will ensure that a solid framework is in place for the potential development of the mine, providing the client with the institutional capacity necessary to design and implement best practices from the start. This project may set a precedent for how mining projects should be carried out in sensitive and challenging environments, such as those common in Indonesia. More broadly, the Weda Bay project will provide an important demonstration of how a major natural resource can be developed sustainably to benefit the local population.

An example of MIGA's support to a challenging project pushing the envelope of sustainability and delivering green infrastructure involves Lake Kivu—one of the great lakes of Africa sitting in a volcanic area between Rwanda and the Democratic Republic of Congo. Under the pressure of one thousand feet of water, dissolved and undisturbed methane remains, formed by carbon dioxide that emerges from the lake's bottom. An earthquake or flowing lava can release these gases and cause an explosion of the lake. Such an event is estimated to occur at some time within the next 100 years.

However, if handled safely, the gas offers significant potential for addressing Rwanda's acute electricity shortage. MIGA client Contour Global is constructing a methane-gas extraction and production facility and a 25 megawatt power plant on the lake. The project will remove the gas and process it to generate much-needed power for Rwanda. While the technology

used by KivuWatt has been proven in other circumstances, this particular use is unique. MIGA is absorbing the risk of this innovative project in the interest of developing a quasi-renewable source of power for the country and averting disaster on the lake that would decimate the surrounding population centers inhabited by an estimated two million people.

For this complex project supported by several public-sector lenders, MIGA coordinated closely on the environmental and social due diligence. The agency's efforts will truly have a significant effect on the project's sustainability.

MIGA's Performance Standards



- social and environmental assessment and management
- labor and working conditions
- pollution prevention and abatement
- community, health, safety and security
- land acquisition and involuntary resettlement
- biodiversity conservation and sustainable natural resources management
- indigenous peoples
- cultural heritage

While managing social and environmental risks and impacts in a manner consistent with the Performance Standards is the responsibility of the client, MIGA seeks to ensure that the projects we support through a guarantee are operated in a manner consistent with these standards. As a result, MIGA's social and environmental review of a proposed project is an important factor in our decision to provide a guarantee for an investment in the project, and will determine the scope of the social and environmental conditions of the MIGA guarantee.

In accordance with MIGA's disclosure policy, we prepare and disclose Environmental and Social Review Summaries for projects with potentially significant or limited adverse social or environmental impacts.

To learn more, visit www.miga.org/sustainability

Environmental and Social Challenges Fund for AFRICA



One way that MIGA engages in environmental and social stewardship is its management of a trust fund that provides technical advice to cross-border investors in Africa. The fund, launched with support from the Japanese government, is open on a case-by-case basis to investors already receiving MIGA guarantees or being considered for MIGA support in member countries in Africa.

Through the trust fund, investors can receive expert advice from MIGA and from consultants specifically hired by the fund. The goal is to ensure that investors comply with MIGA's environmental and social standards, are able to assess a project's environmental or social impacts, and receive best-practice advice on issues such as resettlement, local community benefits, and environmental health and safety.

The fund has been used to support awareness of human rights and security in the Democratic Republic of Congo; implement a resettlement and livelihood restoration program in Ghana, Benin, Togo, and Nigeria; upgrade environment, health, and safety management in Uganda; control malaria within the labor force of a MIGA-supported project in Mozambique; and help Liberia's Forestry Development Authority focus on the challenges and opportunities facing the country's charcoal sector.

The fund is currently providing consulting services to the africaJUICE Outgrower Incubator Project in Ethiopia in order to develop a group of Fair Trade registered outgrowers. The fund is also helping National Cement develop a social and environmental management system for its operations in the country.

MIGA'S ROLE

MIGA's work is firmly rooted in the belief that the private sector can be an important catalyst for change and development.

As more businesses understand that environmental and social sustainability is critical to the long-term viability (and therefore profitability) of their investments, MIGA will be at the forefront of innovation and practices by helping investors achieve these objectives.



MIGA'S VALUE

As a member of the World Bank Group, MIGA offers a range of benefits to investors seeking protection and continuity for their projects in developing markets.

Keeping Developmentally Sound Projects on Track

- **Mobilizing sound investments:** As a multilateral development agency, MIGA supports investments that are developmentally sound and meet high social and environmental standards. Governments have a vested interest in the sustainability of investments covered by MIGA.
- **Resolving disputes:** By demonstrating the investments being supported are developmentally sound, meet high social and environmental standards, and are approved by the host country government authorities as well as by MIGA's Board, MIGA is in a strong position to help resolve disputes that might arise. MIGA has supported more than 700 different projects in its history, and has been able to resolve disputes that would have led to claims in all but two cases. (MIGA has paid four claims resulting from damage due to war and civil disturbance.) MIGA is able to work effectively with all parties to resolve disputes, keeping projects on track.
- **Prompt claims payment:** When claims do need to be paid, MIGA is able to pay them promptly, based on a strong balance sheet and a stable stream of operating income.

Improving Terms and Conditions for Investors/Lenders

- **Accessing funding:** MIGA guarantees help investors obtain project finance from banks.
- **Lowering borrowing costs:** MIGA-guaranteed loans may help reduce risk-capital ratings of projects, leading to lower borrowing costs.

- **Increasing tenors:** MIGA can provide insurance coverage for up to 15 years (in some cases 20), thereby increasing the tenor of loans available to investors.
- **Mobilizing reinsurance capacity:** MIGA is able to provide guarantee support for effectively any size project, through MIGA's ability to secure reinsurance capacity.

Knowledge and Experience

- MIGA can help clients structure transactions to mitigate risk efficiently.
- Clients can benefit from the agency's decades of experience, global reach, and knowledge of developing countries.
- MIGA works with clients to implement social and environmental best practices.
- MIGA ensures that appropriate risk solutions are implemented at various stages of the project life cycle.

Research and Knowledge

MIGA shares knowledge on political risk and foreign direct investment as part of its mandate to support foreign direct investment into emerging markets. The annual *World Investment and Political Risk* report examines the overall trends in political risk perceptions, foreign investment intentions, and longer-term demand for political risk insurance, especially in emerging economies (www.miga.org/wipr).

Technical Assistance

MIGA helps countries define and implement strategies to promote investment through technical assistance services managed by the Investment Climate World Bank Group.

Through this vehicle, MIGA's technical assistance is facilitating new investments in some of the most challenging business environments in the world.

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