

Sustainability Report 2021



Multilateral Investment
Guarantee Agency
WORLD BANK GROUP



Highlighting MIGA's
first report under the
Task Force on Climate-
Related Financial
Disclosures

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A forward from Hiroshi Matano

Executive Vice President
MIGA



I am honored to introduce MIGA's first Sustainability Report, which comes at a crossroads in the global community's approach to development and sustainability as we face the multiple crises of COVID-19, climate change and increased conflict. At MIGA, which was founded in 1988 with the goal of supporting foreign investment into developing countries, we are dedicated to achieving this foundational objective through advancing private sector solutions while leading on the frontiers of sustainability.

At MIGA, we are dedicated to getting back on track the achievement of the 2030 Sustainable Development Goals inspired as we are by their vision of a shared plan for peace and prosperity for people and the planet. The adoption of the 17 Sustainable Development Goals is intertwined with the World Bank Group's Twin Goals to end

poverty and boost shared prosperity and to do so through support of development pathways that are green, resilient, and inclusive. Fostering economic

“Fostering economic growth at its heart is about fostering improvements to health and education outcomes, reducing inequality, and tackling climate change while working to preserve our planet’s biodiversity and natural capital.”

growth at its heart is about fostering improvements to health and education outcomes, reducing inequality, and tackling climate change while working to preserve our planet's biodiversity and natural capital.

We have launched MIGA's first Sustainability Report with these goals in mind, cognizant that the compounding crises of COVID-19, climate change and conflict are impacting the vulnerable and poorest the most with poverty reduction and shared prosperity having suffered their worst setbacks in

decades. It is against this backdrop that MIGA is continuing to deliver on its COVID-19 Response Program, which it launched in FY2020 as part of the

World Bank Group's overall response to the pandemic, and on MIGA's Strategy and Business Outlook FY21-FY23 with its focus on scaling up impact in low-income countries and fragile and conflict-affected settings at the same time as we work to combat climate change.

This Sustainability Report describes MIGA's work to remain steadfast in our support for sustainable development outcomes now and into the future. In addition, in FY21 our work was inspired by two interrelated World Bank Group approaches to addressing the unprecedented challenges as we begin the third decade of the present century—the World Bank Group's Green, resilient, and inclusive

development (GRID) approach and our second five-year Climate Change Action Plan (CCAP). Both

of these engagements at their core underscore that climate and development must be addressed together with people as the focus.

In reading this report, I invite you to join MIGA on our continuing journey to maintain our leadership in development and sustainability. We look forward to working with our partners to help grasp the investment opportunities at the nexus of climate change, sustainability and people-centered development. We share our accomplishments

in this report to find inspiration from what we have achieved so far, knowing that the task ahead requires so much more.

“In FY21, our sustainability efforts were achieved at the same time that we responded quickly to provide support to economies and clients negatively impacted by the COVID-19 pandemic.”

1. An Introduction from Ethiopis Tafara

Vice President and Chief Risk, Legal and Sustainability Officer and Partnerships, MIGA

MIGA is committed to sustainable development. Our first Sustainability Report explores how this commitment has been fulfilled in 2021. Working with our private sector clients and our public sector partners, MIGA has worked to support green, resilient, and inclusive solutions to development challenges across the globe. We continue to expand our ambitions to achieve sustainable and green solutions—work that we believe is all the more important given the challenges of the COVID-19 pandemic and the expanding number of conflicts that disproportionately impact the poorest.

Our activities seek to address the risks posed by climate change by aiming for measurable improvements in adaptation and resilience and measurable reductions in greenhouse gas (GHG) emissions. But our approach to Sustainable Development is by design holistic, integrating broader environmental, social, and governance standards into our work, along with our climate aspirations. This comprehensive approach to sustainability provides our clients and partners with the confidence that they are working with the leading provider of green, resilient, and inclusive guarantee and credit enhancement solutions for emerging market and developing economies.

“We stress with our private sector clients that sustainable business practices are not only good for our planet but are also critical in driving an enterprise’s financial success.”

We stress with our private sector clients that sustainable business practices are not only good for our planet but are also critical in driving an enterprise’s financial success and enhancing the value of its reputation and brand. We strongly believe in the “triple bottom line” where the private sector’s commitment to mitigating their negative climate and environmental as well as social impacts, and taking advantage of sustainable opportunities, are actually positive for standard “bottom line” profit-



ability. We share with our clients the large and growing body of evidence that firms that are proactive in mainstreaming sustainability witness cost savings and enhanced productivity, revenue growth, and market access, as well as increased customer and staff loyalty. For companies today, the market value of intangible assets, such as brand and reputation, outstrip their tangible assets. These intangible assets are extremely sensitive to environmental and social risks.

For MIGA, our sustainability goals are achieved most concretely through the projects we support and the role they play in catalyzing and scaling private sector solutions. In 2021 our projects ranged across countries and sectors with the goal of lessening risks from climate change, as well as from environmental and social risks, to improve expected development outcomes. Some examples:

MIGA political risk insurance supported a rural roads project in Kenya which introduced

enhanced adaptation features to address the heightened risk of flooding from climate change.

In Indonesia, MIGA provided a credit enhancement to a commercial loan facility in support of needed liquidity during the height of the COVID-19 pandemic to bolster the financial strength of existing renewable energy projects.

Across Eastern Europe and Latin America, we worked with our banking clients through our capital optimization product to help ensure that robust environmental and social management systems are in place across the banks' lending activities while also advancing their efforts to scale up their support of climate finance in their local markets.

Through dialogue with our clients, we recognize the important role MIGA can play in leading on sustainability. FY2021 marked a significant high point with the adoption of the World Bank Group's Climate Change Action Plan for 2021-2025. Among the most

“Our sustainability goals are achieved most concretely through the projects we support and the role they play in catalyzing and scaling private sector solutions.”

important commitments, the Action Plan calls for MIGA to align its guarantees to clients with the goals of the Paris Agreement. FY21 was also impactful for our work on environment and social frameworks as we collaborated with our Board of

Directors to secure their approval of MIGA's first policy document governing the activities of the Compliance Advisor Ombudsman (CAO)—MIGA's independent environmental and social accountability mechanism. We believe the new policy will enhance further MIGA's delivery of sustainable outcomes across our project work.

I invite you to explore MIGA's first Sustainability Report, which throughout underscores our commitment to support private investment in addressing the challenge of sustainable development. The responsible stewardship of our planet and its people requires the innovation and dynamism that the private sector can bring. Working with all of our partners, we look forward to continuing to do all we can to further these goals because getting sustainable development right will mean a green, resilient and inclusive future for all.

Highlights of MIGA’s Sustainability achievements of FY2021

<p>Agreed a new Climate Change Action Plan for</p> <h1>2021–25</h1>	<p>Issued \$1.35 billion in guarantees in support of climate mitigation/climate resilience</p>	<p>Committed to Paris Alignment for</p> <h1>85 percent</h1> <p>of real sector guarantees by July 1, 2023 and</p> <h1>100 percent</h1> <p>by July 1, 2025</p>
<p>A new policy governing the activities of the Compliance Advisor Ombudsman (CAO) was approved by MIGA’s Board of Directors</p>	<p>Issued \$5.2 billion in guarantees, with 100 percent expected to meet MIGA’s standards for E&S performance</p>	<p>Committed to increase climate finance for 2021–2025 to an average of</p> <h1>35 percent</h1> <p>of gross issuance</p>
<p>As part of the COVID-19 Response program, issued guarantees totaling</p> <h1>\$5.6 billion</h1> <p>(April 2020–June 2021)</p>	<p>MIGA screening</p> <h1>100 percent</h1> <p>of real sector projects for climate risks</p>	<p>For the first time, MIGA reported its results following the recommendations of the Task Force on Climate-Related Financial Disclosures</p>

“MIGA’s mission is to promote sustainable private sector foreign direct investment in developing countries, helping to reduce poverty and improve people’s lives. MIGA believes that sound economic growth, grounded in sustainable, productive private investment, is crucial to poverty reduction ... and to achieve positive development outcomes.”

– MIGA’s Policy on Environmental and Social Sustainability

2. Supporting the Green economy in our projects

Maximizing the Climate Impact of MIGA Guarantees in FY21

MIGA was instrumental in fostering the lock-in of transformational climate action in FY21.

- MIGA issued \$1.35 billion of guarantees in support of projects that contributed to the climate finance goals of climate resilience and climate mitigation.
- In total, climate finance represented 26 percent of MIGA's gross guarantee issuance—the highest percentage in MIGA's history.
- All of MIGA's climate finance guarantees mobilize private equity or debt capital for climate, and additional private capital for climate is mobilized through the reinsurance of MIGA's guarantees.
- Climate finance projects spanned 22 countries across four regions—Europe and Central Asia, Sub-Saharan Africa, East Asia and the Pacific, and Latin America and the Caribbean.
- MIGA mobilized private finance for climate in support of projects in low-, middle-, and high-income countries.
- Projects signed in FY21 will help avoid an estimated 306,027 tons of carbon dioxide equivalent (tCO₂e) per year.



Partnering with the private sector to support green development pathways

Working to Support the Transition to Renewable Energy

MIGA continued to engage with investors in support of renewable energy investments in FY21. MIGA has a strong track record of supporting utility-scale solar, wind, hydropower, and geothermal projects, and is working to develop innovative ways to partner with the private sector in micro- and off-grid solutions that can accelerate electrification to underserved communities. In FY21, country context was key to determining how MIGA was able to play a role in supporting countries' decarbonization pathways. MIGA supported projects in low-income countries where the country authorities are still working to provide universal energy access as well as projects in middle-income countries where MIGA's support helped to bolster the financial sustainability of renewable energy projects.



In Burkina Faso, MIGA provided a guarantee for an equity investment by GreenYellow of France for a solar photovoltaic (PV) energy facility that will add 30 MW of installed capacity. The project is part of a larger effort on MIGA's part to help Burkina Faso's transition to renewable energy through support of other solar PV projects that are independent of one another but similar structure. Collectively, the projects will have a capacity of 102 MWs and

constitute the country's first round of solar Independent Power Producers (IPPs). Prior to this initiative, the country had only 357 MW of installed capacity, mostly from aging and expensive heavy fuel oil generation and was also dependent on imports from Côte d'Ivoire and Ghana to serve base demand. MIGA's efforts are part of the Sahel Alliance Initiative, in which the World Bank Group is actively engaged in expanding access to renewable energy in the G5 Sahel Countries (Burkina Faso, Chad, Mali, Mauritania, and Niger), which includes doubling installed renewable energy capacity in the G5 countries over 2018-2023.



In Liberia and Sierra Leone, MIGA guarantees to Escotel, a company that provides electricity and logistical services for cell phone towers (telecommunication network sites, TNS), will contribute to greening these essential communications services. Escotel, by providing clean solar energy and battery storage capacity, contributes to energy efficiency and cost reduction by lessening the use of diesel fuel by an average of 75%. It is expected that Escotel will modernize 600 TNS by 2028 in Sierra Leone, resulting in an avoidance of more than 58,000 tons of CO₂ equivalent emissions over the period. In Liberia, nearly 158,000 tons of CO₂e emissions are expected to be avoided by the modernization of 612 TNS over the same period.



In **Indonesia**, a MIGA guaranteed loan facility is providing working capital to PT Perusahaan Listrik Negara (PLN), the state electricity company, for payments for electricity under power purchase agreements from seven existing renewable energy projects. The arrangement is helping to ensure these renewable energy IPPs are financially supported during the uncertainties brought about by the COVID-19 crisis. These renewable energy projects are a part of Indonesia's ongoing efforts to diversify its power supply mix. By working with PLN to support renewable energy projects, MIGA is helping to maintain Indonesia's momentum towards the country's renewable energy objectives even in the midst of the challenges caused by the pandemic and commodity-price shocks.

MIGA guarantees were issued in support of one of Ethiopia's first large-scale greenfield private geothermal power plants.



MIGA guarantees were issued in support of one of **Ethiopia's** first large-scale greenfield private geothermal power plants, Tulu Moyo, located in Oromia Regional State approximately 100 kilometers southeast of Addis Ababa. Phase 1 of the project will deliver up to 50 MW of geothermal power and will include the drilling of both exploration and production wells. The power will be sold to Ethiopian Electric Power, the state-owned utility, under a 25-year Power Purchase Agreement. Jointly owned by Meridiam SAS of France and Reykjavik Geothermal Ltd of Iceland, the plan is to expand Tulu Moyo to 150 MW capacity in a second phase. Although Ethiopia is endowed with an abundance of hydropower capacity, Ethiopia's energy sector is characterized by a large energy access deficit and an overreliance on hydropower which leaves the country's energy supply susceptible to droughts. In an effort to diversify the energy mix, Ethiopia plans to gradually introduce alternative sources of energy, including geothermal from Tulu Moyo.



Leading on Greening the Financial Sector

In FY21, MIGA deployed guarantees in support of greening financial institutions, with a focus on promoting the implementation of climate-friendly sustainable financing. **MIGA’s capital optimization product** proved a highly successful vehicle for engaging with financial institutions to promote and enhance their own greening strategies. In total, MIGA signed 14 separate contracts of guarantee with three global retail and commercial banks in support of \$654.4 million of climate loans across ten countries.

MIGA provided technical support to financial institution clients to help them green their portfolios, grow their climate finance business, and mainstream climate risk assessments. This included:

1. evaluating clients’ existing capacity and providing guidance on organizational

constraints and knowledge gaps related to climate change management;

2. evaluating the banks’ existing portfolio of loans and providing insights on climate finance opportunities in specific markets and regions;
3. working with clients on relevant climate-related policies, regulations, and low-carbon and climate-resilient development trajectories;
4. conducting capacity building centered on tools and methodologies to facilitate better climate mitigation and climate risk management; and
5. providing guidance on enhanced climate-related financial disclosures.

With ProCredit group, MIGA is supporting the bank’s strong commitment to sustainability by increasing the share of green financing in its loan portfolio of primarily SME loans, a goal that is substantiated by ProCredit’s own current sustainable finance practices and growth strategy. Working with MIGA, ProCredit agreed to target 100 percent of MIGA-covered volume toward climate finance across eight of its subsidiaries in **Eastern Europe**. The focus of this climate finance will be to continue to support energy efficient investments but also to diversify further to green their portfolio through expansion of renewable energy projects, particularly solar and wind energy. In one market, **Georgia**, ProCredit is planning to launch a green building certification program.

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MIGA also worked with a longstanding client, Raiffeisen, to support its growing commitment to sustainability. As evidence of its efforts to green its portfolio, a portion of the benefits of MIGA's covered guarantee to Raiffeisen, ranging from 11 percent to 49 percent, will be targeted toward climate finance lending in four of the five subsidiaries in **Eastern Europe** that MIGA is supporting through its capital optimization product with Raiffeisen. In addition, Raiffeisen committed to a climate finance action plan for all five subsidiaries to accelerate the Group's green transition, which is part of its business strategy to "create sustainable value".



MIGA also joined with Banco Santander through two separate capital optimization projects—one in **Chile** and the other in **Peru**—to foster sustainability. In Chile, MIGA supported Banco Santander's work in its Chilean subsidiary to develop the necessary systems and procedures to track its climate commitments. Santander Chile also committed to dedicating 50 percent of the \$400 million guaranteed to climate finance, which is expected to be primarily deployed to renewable energy projects.

In Santander Peru, MIGA had already been working with the subsidiary to scale up its climate activities through a FY18 capital optimization project. When Santander Peru looked to MIGA in FY21 to increase the amount of the existing MIGA guarantee by \$100 million from the original \$246.6 million, of which 30 percent was targeted as climate finance, MIGA and Santander Peru agreed that the additional \$100 million should be targeted to climate finance. The additional lending is expected to be used for loans for renewable energy, energy efficiency, and green transport.

In Chile, MIGA supported Banco Santander's work in its Chilean subsidiary to develop the necessary systems and procedures to track its climate commitments. Santander Chile also committed to dedicating 50 percent of the guarantee to climate finance.

Climate-resilient infrastructure is critical for sustainable development

Supporting Investment in Resilient Infrastructure

Addressing climate risks in infrastructure projects is becoming increasingly urgent. Countries most vulnerable to climate change—including severe storms, rising sea levels, drought, and extreme temperature variation—are also among those countries with the greatest need for new roads, ports, airports, and rail networks as well as other critical infrastructure necessary to overcome poverty and inequality. MIGA has begun to successfully focus on the intersection of climate risks and infrastructure: we now screen all of the investments we support for climate risks, with special attention to infrastructure projects, which have an essential role to play in managing the risks and minimizing the negative impacts of climate change. MIGA is deploying its own analytical tools to identify these risks and then, partnering with others, supporting the design of measures to respond to them.



MIGA is finding an increasing receptivity of partners to work with us to enhance the climate resilience of projects.

An example of MIGA’s partnership to support climate resilient infrastructure in FY21 was in our issuance of guarantees to support the financing of rural roads in **Kenya**. Kenya’s transportation sector is relatively underdeveloped in some regions, thereby limiting economic development and contributing to regional disparities. In FY21, MIGA provided guarantees to cover equity and loans for the design, construction, rehabilitation, and maintenance of over 80 kilometers of rural and peri-urban roads in 10 counties in central and western Kenya.

Because flooding is a prevalent concern in these regions, MIGA performed a climate risk analysis for the roads. An ensemble of climate change projections was reviewed, and it was evident that a significant increase in the frequency and intensity of extreme rainfall events is likely for the region over the near-to-medium term. Moreover, built infrastructure, like roads, often alters a region’s hydrological regime and can exacerbate flood risks, leading to detrimental impacts on neighboring communities. As a result, not only were climate resilience measures needed to ensure the performance of the roads, but they were also necessary to limit any adverse impacts to communities. Working with the construction engineers, MIGA’s client approved construction of road drainage components to a 20-year design level rather than a 5- to 10-year design level as had been originally envisaged. In line with the multilateral development banks’ (MDB) climate finance methodology and its use-of-proceeds principle, 12 percent of the MIGA guarantees were tagged as climate adaptation finance.



MIGA is finding an increasing receptivity of partners across the types of projects we support—including purely private sector projects, projects in the public-private partnership space, and public sector projects financed with private sector funding—to work with us to enhance climate resilience of projects when our analytical tools suggest that modifying design measures is appropriate. MIGA’s partners increasingly see the desirability of working with us to mainstream climate resilience in project design so that together we are building infrastructure consistent with future climate change scenarios.

Backing the Decarbonization of Manufacturing and Services

MIGA is helping our clients in the manufacturing sector to advance on the path toward decarbonization through resource efficiency and low carbon solutions.

MIGA supported these objectives working in **Ecuador** with the Surpapel paper mill and the Procarsa cardboard box production facilities. MIGA guarantees supported long-terms loans provided by Cordiant Capital of Canada, Finfund of Finland, and BIO of Belgium. Ecuador is one of the world's highest per capita corrugated cardboard users, as it is deployed in packaging bananas, for which Ecuador is the world's largest exporter. Corrugated paper production requires significant water and energy requirements for pulping, processing, heating, cooling and treatment. The Surpapel Group, by implementing energy and water efficiencies including technological upgrades and process design modifications across its operations, has strengthened resource efficiency. These energy efficiency measures have been critical in decreasing its overall greenhouse gas

(GHG) emissions and contributing to a lower carbon pathway for the company's manufacture of corrugated paper, about 40 percent of which is sourced from recycled paper.

MIGA's support for projects that enhance energy efficiency is also evident in its work with Kasada Hospitality Fund, a private equity fund established by Accor, the world's sixth largest hospitality group, and Qatar Investment Authority. Over the next few years, Kasada intends to build a \$1 billion portfolio of hotels across Sub-Saharan Africa, putting debt and equity to work in both refurbished and new hotels. In FY21, MIGA provided guarantees for equity investments in four existing hotels that will be refurbished, two in **Côte d'Ivoire** and the others in **Senegal** and **Cameroon**. Kasada plans to retrofit these hotels to the International Finance Corporation's EDGE green building standards and to obtain EDGE certification. These greening interventions are expected to amount to nearly 20 percent savings of energy, water and embodied energy in materials compared to the performance of these hotels pre-refurbishment. GHG emissions reductions are currently estimated to be 2,268 tons of CO₂ per year.

Kasada Hospitality Fund

“MIGA guarantees will support job creation and help hotels meet green building standards, resulting in nearly 20 percent cost savings in energy, water, and embodied energy.”

Hiroshi Matano

3. Integrating Climate and Development to Maximize Impact

At the heart of the World Bank Group’s **Climate Change Action Plan 2021–2025** is the recognition that climate change is one of the defining challenges of our time. To deliver on the World Bank Group’s twin goals of reducing poverty and boosting shared prosperity, MIGA, as part of the World Bank Group, is integrating climate actions throughout our development work.

At MIGA we are working with our private sector clients to ensure that our guarantees in support of climate finance are used toward reducing greenhouse gas emissions and toward helping our partners prepare for negative climate effects. We are proud to be an integral part of the efforts of the World Bank Group—already the largest multilateral provider of climate finance—to further accelerate the Group’s climate actions.

MIGA, alongside the World Bank and the International Finance Corporation (IFC), is prioritizing climate action in the following areas:

Increasing Climate Finance

MIGA and the World Bank Group are committed to increasing their climate finance to 35 percent, on average, over the period of the Action Plan. This is a significant step up from the commitment under the previous World Bank Group Climate Change Action Plan, 2016–2020 of 26 percent.

Prioritizing Resources for Climate Impact

MIGA will boost and prioritize climate finance to achieve the most impact and results. We aim to do so by enhancing (i) our climate risk screening and to extend these screenings to all our projects, (ii) report the GHG emissions of critical projects, and (iii) focus on new metrics that augment our capacity to assess our actual impact and better capture resilience and alignment with countries’ long-term climate pathways.

Improving and Expanding Climate Diagnostics

MIGA will work with the World Bank and IFC to bring forward a new World

Bank Group country engagement diagnostic devoted to integrating an individual country’s climate challenges with its development opportunities. These diagnostics will support the enhancement and implementation of countries’ National Determined Contributions and Long-term Strategies for low-carbon and climate resilient development, through a whole-economy lens.

Reducing GHG emissions and Climate Vulnerabilities in Key systems

MIGA, working across the World Bank Group, will support investments in key systems that can help mitigate GHG emissions and reduce climate vulnerabilities. We will emphasize those systems that contribute the most to GHG emissions. These are energy, agriculture, cities, transport, manufacturing and the financial sector. MIGA is particularly active in the (i) energy sector, which is at the heart of development, but where nearly 800 million people still lack access and many millions more have insufficient or unreliable access; and (ii) financial sectors, where we support financial institutions to align with green and sustainable financing goals.

Supporting a Just Transition out of Coal

MIGA, working as part of the World Bank Group, will support moves away from coal to lower carbon growth while prioritizing energy access and a just transition. A key objective will be to work with partners to mobilize the large-scale resources that will be needed. MIGA will be particularly focused on scaling up private sector mobilization where MIGA’s de-risking instruments can be especially important as new platforms develop to catalyze resources for this effort.

Aligning our Guarantees with the Goals of the Paris Agreement

MIGA, along with the World Bank Group, is committed to aligning its operations with the objectives of the Paris Agreement. Aligning our operations with the goals of the Paris Agreement is about ensuring that our guarantees advance and do not hinder the agreement’s goals.

Paris Alignment and MIGA's Support of Decarbonization Pathways and Climate-resilient Development

The Paris Agreement—the 2015 breakthrough international accord to limit global warming to well below 2°C by the end of the century and make efforts to limit warming to 1.5°C—calls for “making financing flows consistent with a pathway toward low greenhouse gas emissions and climate-resilient development”. MIGA and the World Bank Group have embraced this objective, along with other multilateral development banks, and an increasing number



of businesses, financial institutions and governments around the world.

MIGA, as part of the World Bank Group's new Climate Change Action Plan (2021-2025), has committed to aligning our financial flows with the goals of the Paris Agreement. We define alignment as:

1. providing support in a manner that is consistent with low-carbon and climate-resilient development pathways that are compatible with the objectives of the Paris Agreement, and
2. consistent with the countries' Nationally Determined Contributions, Long-term Strategies, as well as other national climate commitments.

For MIGA, 85 percent of Board-approved real sector operations will be aligned starting July 1, 2023, and 100 percent two years later, starting July 1, 2025. To achieve this, MIGA will begin aligning 100 percent of our projects at the concept stage well ahead of July 1, 2023. Once a framework for financial institutions is finalized, a similar approach will be taken for this business line as well.

As MIGA moves towards full Paris Alignment of guarantee operations, we will assess whether a project advances, hinders, or is neutral to meeting the goals of the Paris Agreement. An operation is considered aligned when:

1. on climate mitigation, it actively contributes or does no harm to decarbonization pathways (e.g., renewable energy), and
2. on climate adaptation and resilience, it addresses physical climate risks.

It is important to underscore that the Paris Agreement recognizes that countries face different circumstances and it provides flexibility in the pathways that they may choose to achieve the objective of low-carbon, resilient development. MIGA will work with our partners to take account of individual country circumstances as they advance pathways to incorporate climate and development.

As part of MIGA's work to support decarbonization pathways, MIGA, along with the World Bank Group, will not support projects that we believe are universally non-aligned with the Paris Agreement: the mining of thermal coal, electricity from coal,

extraction of peat, and electricity from peat. Regarding oil and gas, the World Bank Group, including MIGA, announced in 2017 that, beginning in 2019, we would no longer finance upstream oil and gas projects; the World Bank Group has not financed any oil pipelines since 2014. This approach to oil and gas has been in force to date and will continue during the period of the Action Plan and beyond.

Natural gas investments may be considered aligned in countries where there are urgent energy demands and no short-term renewable alternatives to reliably serve such demand. Accounting for unique national circumstances, all World Bank Group investments in new gas infrastructure will be assessed for consistency with Nationally Determined Contributions,

Long-term Strategies, or other national development strategies—and ensure they are not leading to long-term carbon lock-in, among other considerations..

At MIGA, and across the World Bank Group, we are committed to working to lead on developing frameworks, assessment tools, and metrics that will help operationalize what it means to be aligned to the Paris Agreement. These frameworks will encompass guidance at the sector level to help our clients and client countries to determine alignment of an operation with the goals of the Paris Agreement. We believe that through these efforts we will support our overarching goal of mainstreaming climate throughout our development activities.

“Since 1992, MIGA has established various standards to promote sustainable private investment in developing countries, including E&S and integrity standards. Currently, we’re preparing new standards in alignment with the Paris Agreement.”

Ethiopsis Tafara

Country Climate and Development Reports

Aligning climate and development is a fundamental pillar of the WBG's new Climate Change Action Plan (CCAP). To advance this, the WBG is launching a ground-breaking new core diagnostic tool, [the Country Climate and Development Report \(CCDR\)](#), that will help countries align climate action and development efforts. In each country, the CCDRs will aim to help inform the policy, regulatory, and institutional landscape and lay out the reforms and investments needed by both the public and private sectors. A first generation of these reports will be launched in FY22 across 25 countries and rolled out

to all WBG countries of operation over the duration of the CCAP.

The CCDRs will explore decarbonization opportunities and climate resilient pathways not only for their contribution to stabilizing climate change and enhancing resilience, but also for their positive impact on economic growth, poverty reduction, and shared prosperity. The CCDRs will reflect the WBG's view that people must benefit from the transition to a low-carbon and resilient future and that a people-centric approach is essential for the political feasibility of climate action to ensure that gains and losses from the transition to a low-carbon, resilient economy are shared equitably.

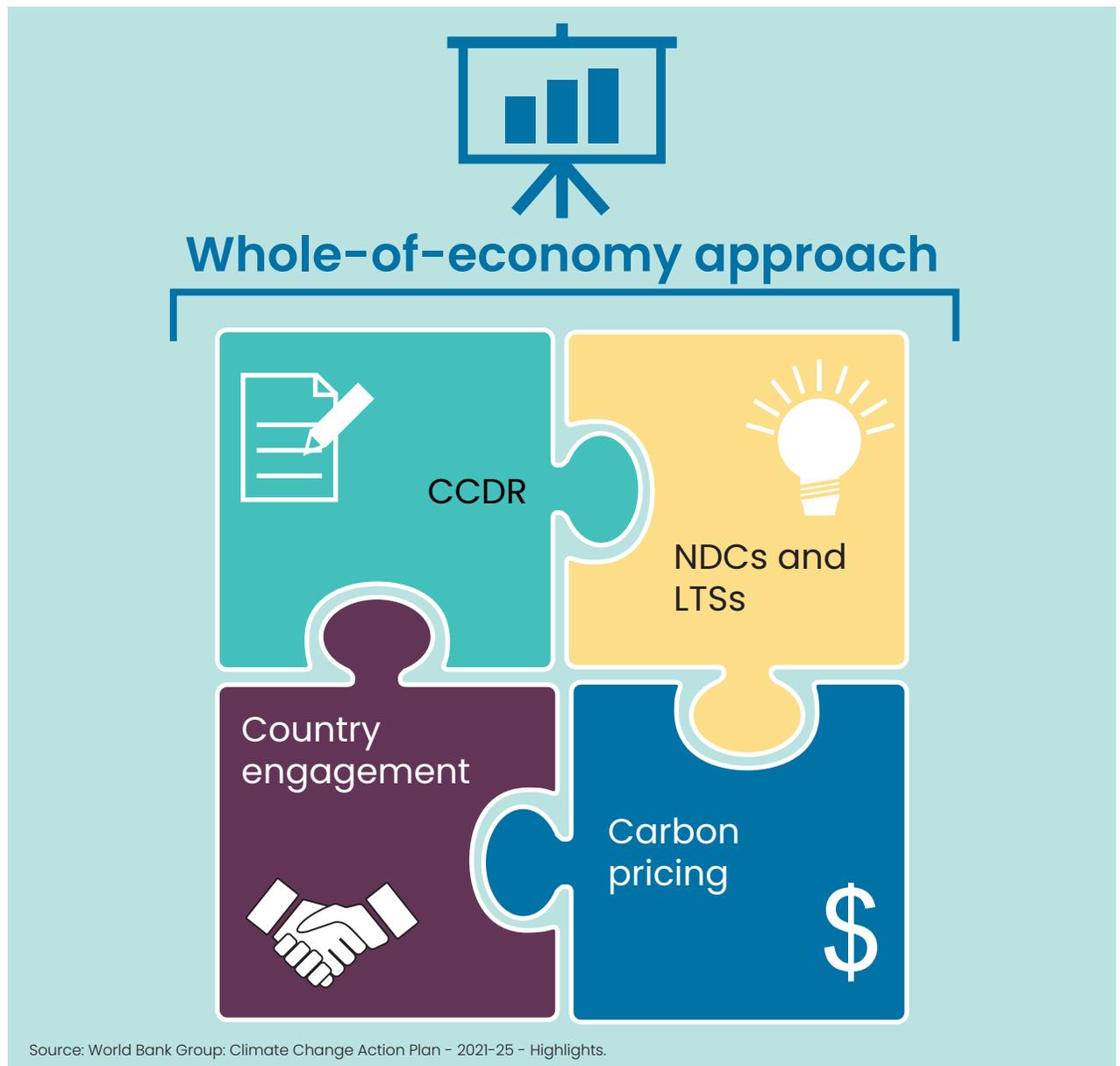
A matrix for prioritizing climate actions, used in several CCDRs

	URGENT (delay in action increases the cost of achieving the same end point)	LESS URGENT (delay in action does not increase the cost of achieving the same end point)
SYNERGIES (action facilitates the achievement of other development objectives)	Synergetic and urgent actions are to be prioritized and should be part of the recommendations (but important to identify the obstacles that explain why it has not been done already)	Synergetic actions that can be delayed should be implemented , but only if implementation capacity allows it. With limited capacity and political capital, it may be preferable to delay them (especially if net benefits are small or uncertain)
TRADE-OFFS (cost of action makes the achievement of development objectives more difficult)	Actions that create trade-offs but are urgent are the most challenging. Options to explore include: >> Specific designs to minimize or reverse trade-offs, or protect the poor (e.g., recycling options with carbon tax) >> Opportunities to mobilize concessional financing (e.g., climate or development finance) to manage the trade-offs	Actions that create trade-offs with other development objectives and can be delayed should be delayed

Source: WBG-COP26-ClimateBriefs-CCDRs.

There is widespread consensus that the private sector is an essential part of the solution to tackling climate change. This includes private sector-led investments to spur innovation and large-scale adoption of clean technologies. The CCDRs will help identify and prioritize concrete opportunities for and investments in climate action.

CCDRs will be game changers in the World Bank Group’s engagement in supporting countries to meet their climate and development goals. Their aim is to encourage our partners in the public and the private sectors to think through the medium- and long-term climate risks as well as the opportunities for low-carbon, resilient development.



Energy Transition and Universal Access

The energy sector is one of the key systems the World Bank Group's Climate Change Action Plan is prioritizing as the world transforms the way it generates and uses energy to reduce GHG emissions. At the same time, growing energy demand will need to be met, with energy access for the poor of urgent importance. Public and private energy finance are required to deliver affordable, reliable, clean energy while expanding energy services for the poor, given that approximately 760 million people in the poorest

countries live without electricity and an estimated 1 billion more suffer from unreliable electricity service.

This global energy transition requires a redesign of the ways in which energy is produced, consumed, and financed. A well-managed retirement of coal-fired power plants and a massive scale-up in clean energy are essential to achieving the Sustainable Development Goals and the targets of the Paris Agreement. Eliminating one-third of global emissions, which is what comes from today's roughly 2,100 GW of coal power capacity, would require retiring and replacing more than 100 GW of coal capacity each year for the next 20 years. This capacity will need to be replaced with cleaner and

MIGA's de-risking instruments can support private equity and debt capital to help catalyze the global energy transition



PHOTO: © VINCENT TREMEAU/WORLD BANK

reliable energy. For example, the International Energy Agency (IEA) estimates that solar and wind power capacity would need to grow from 1,400 GW today to 17,000 GW by 2040, with two-thirds of this new capacity in developing countries.

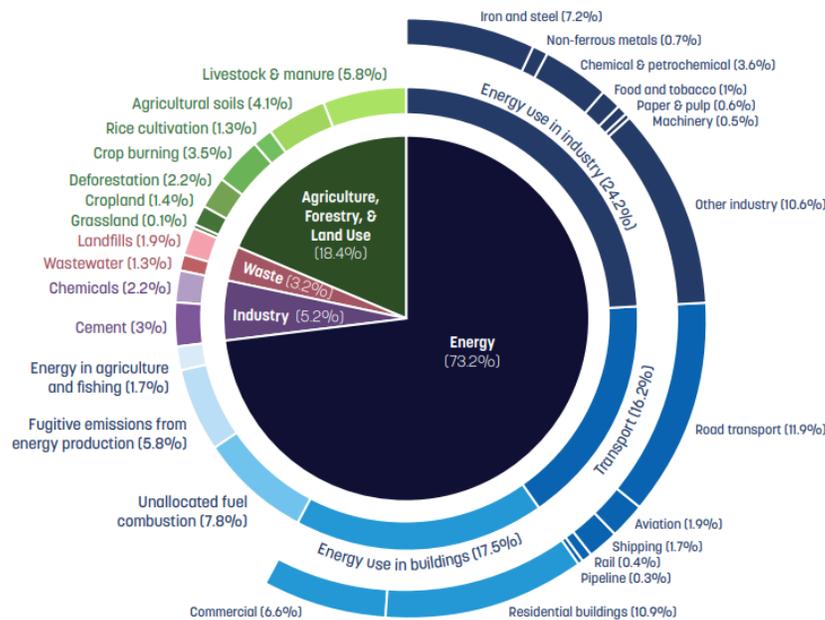
The global energy transition requires public, private, and development finance to increase substantially and be channeled towards high-impact projects. Different sources of capital, with diverse structures, maturities, and costs of capital reflecting their risk, will be needed. In addition to enabling policies to unlock investments, grant and concessional resources will be essential in financing upstream work, project preparation, and to provide blended tranches that enable, for example, high-impact climate projects that face specific barriers to implementation.

Using the WBG suite of technical assistance, policy lending, investment products, and guarantees, the

WBG is providing technical and financial support to help countries accelerate the energy transition, improve energy efficiency, and achieve universal access. MIGA's de-risking instruments can support private equity and debt capital to help catalyze the global transition through support, for example, of distributed energy and off-grid solutions, carbon markets scale up, de-commissioning of coal-fired power plants, and new technologies, such as green hydrogen opportunities.

While the energy transition will bring challenges, it will also provide opportunities for new jobs, strengthened climate resilience, reduced exposure to volatile fossil fuel prices, and significant emissions reductions, while laying the groundwork for shared prosperity in a low-carbon future.

Global greenhouse gas emissions by sector, 2016



Source: WBG-COP26 - Climate Briefs-Energy-Transition-Final-2010: Adapted from Hannah Ritchie, Our World in Data, 2020: <https://ourworldindata.org/emissions-by-sector>. Data sources: Climate Watch, World Resources Institute, 2020.

Adaptation and Resilience: A Priority for Development and Smart Investment

Climate change and disaster impacts disproportionately affect the poorest and most vulnerable populations, especially in low- and middle-income countries. At the same time, [investing in climate resilience](#) presents an enormous economic opportunity: On average, \$1 invested in resilient infrastructure yields \$4 of benefits, with total net benefit of \$4.2 trillion over the lifetime of new infrastructure assets in low- and middle-income countries.

Despite the demonstrable benefits in terms of lives saved and losses avoided, investments in adaptation and resilience are far from adequate. Too much public and private infrastructure is built following outdated standards and not designed to be resilient to current or future risks.

To foster solutions for boosting resilience, the World Bank Group's focus is to develop:

- Information, tools, and data for decision-makers to make smart choices by mainstreaming resilience and climate change in decisions and investments in a cost-effective way;
- Investments and mobilization of private capital to spend more on physical resilience and adaptation; and
- Policies and systems to boost social and financial resilience to cope with and recover from impacts that cannot be prevented.

In MIGA's support of private sector investments, all MIGA-guaranteed projects are screened for climate risks using our proprietary screening tools. For example, on a rural roads investment in Kenya, climate risks were identified and mitigation measures were then implemented that enhanced flood control measures, contributing to the resilience of Kenya's transport system.

Mobilizing private finance is a key part of the effort to drive greater investment in resilience and adapta-

tion. The World Bank Group is advancing analytical efforts to better understand barriers to private sector investments in adaptation and to identify investable projects.

A core challenge with resilience investments is that, while large, the benefits typically come in the form of avoided impacts. This means they are not always visible or easy to monetize for those making the investment. In their private sector operations, MIGA is working with clients to demonstrate the business case for climate resilience. This work can give an edge to a well-designed, resilient project by making its quality more visible to decision-makers and investors.

Finally, the World Bank Group is supporting efforts to help vulnerable countries access financial markets and secure additional risk capital against climate shocks. MIGA, along with World Bank partners, is also working with the Insurance Development Forum, a public-private partnership, to extend the use of insurance and related risk management capabilities to build greater resilience.

MIGA is able to demonstrate an increasing number of examples where it has worked with its clients to enable successful actions to foster adaptation and resilience. In doing so, MIGA's efforts, and those across the World Bank Group, are helping to serve as a catalyst for scaling up and mainstreaming these interventions, so they can have a material impact on reducing vulnerability around the world. Success will be to transform our best practice into a new normal, applied in all countries, for all decisions and investments.

“We are working with our private sector clients to make the business case for climate resilience.”

Hiroshi Matano

MIGA's first Task Force on Climate-related Financial Disclosures Report

MIGA issued its first disclosures under the Task Force on Climate-related Financial Disclosures (TCFD) as part of MIGA's fiscal year 2021 Annual Report. The report is included as well as part of MIGA's first Sustainability Report. The Report came at the end of the landmark World Bank Group Climate Change Action Plan 2016–2020, and the adoption in June 2021 of the second World Bank Group Climate Change Action Plan 2021–2025, which is shaping the World Bank Group's climate actions for the five-year period of the plan.

The Financial Stability Board established the TCFD to develop recommendations for more effective climate-related disclosures. The goal was to encourage better informed financial decisions when considering concentrations of carbon-related assets and exposures to climate-related risks.

The TCFD is of the view that climate change represents both risks and opportunities, and that the financial community needs to have a clear view of how companies will be impacted, either positively or negatively, by the increasing variability and intensity of climate change. To make an appropriate assessment, reliable climate-related information is critical to

support the pricing of climate-related challenges and future prospects. The TCFD believes that as better climate-related information is available, markets will channel investments to sustainable and resilient solutions.

As part of MIGA's efforts under the Action Plan, MIGA started on a journey to adopt the disclosure recommendations of the TCFD. The TCFD's recommendations on climate-related financial disclosure are structured around four core elements—governance, strategy, risk management, and metrics and targets—and MIGA's first TCFD Report takes these core elements as its organizing principles. The Report is an effort to communicate MIGA's climate strategy and internal procedures more effectively for climate change management, and potential climate-related risks and opportunities.

MIGA's first TCFD Report should be viewed as an initial disclosure, noting that MIGA's climate change management structures, policies, and procedures are currently evolving and undergoing enhancements to meet the ambition of the World Bank Group's new Climate Change Action Plan. The Report reflects MIGA's continued commitment to maintain and strengthen our climate-related disclosures across all four core TCFD pillars.



4. Leading on Environmental and Social Sustainability in our projects and policies

The environmental and social (E&S) sustainability of the projects MIGA supports is a cornerstone of our approach to working with our clients to deliver positive development outcomes. We believe it also makes good business sense: it is now widely recognized that implementing strong Environmental, Social and Governance (ESG) standards is linked over the long term with positive commercial performance of enterprises.

MIGA expects to achieve positive development outcomes through the application of our Policy on Environmental and Social Sustainability and a comprehensive set of environmental and social Performance Standards. We work with our clients to support their mitigation, management, and monitoring of their projects' ESG risks. MIGA's E&S policies and approaches are widely considered to be the market standard and as such offer our clients an international "stamp of approval."

FY21 was a year of challenges and milestones achieved in MIGA's work on E&S Sustainability.

COVID-19 restricted the travel of our E&S specialists for on-site visits both for new project appraisals and for monitoring existing projects. As a result, we innovated approaches to ensure that our E&S work

retained the same high quality as in the pre-COVID-19 period. We used multiple strategies—relying on extensive virtual meetings, collaborating with the World Bank Group's in-country E&S specialists, and leveraging local consultants—to aim to retain the same high standards of due diligence and monitoring. We are eager to resume on-site visits as soon as this becomes feasible.

COVID-19 also presented the need for our E&S specialists to work quickly to deliver the urgent, needed pandemic-related finance to our private and public sector partners. MIGA's E&S specialists worked hard, along with their MIGA colleagues, to maintain the high quality of their work and strong client engagement while also meeting tight deadlines to deliver rapidly on MIGA's COVID-19 response.

A major milestone in FY21 was the development of a policy for the Compliance Advisor Ombudsman (CAO)—MIGA's independent accountability mechanism. This was the first Board-approved policy for the CAO, and it brings with it enhanced opportunities for MIGA and our clients and stakeholders to address complaints in a proactive and timely manner.

“ESG standards are becoming important investment criteria among institutional investors, and a central component of modern corporate governance and risk management.”

Ethiopia Tafara

Enhancing the E&S sustainability of MIGA-supported guarantee operations

Supporting our clients in mitigating and managing E&S risks amplified by COVID-19

In **the Bahamas**, the pandemic led to a sudden, unprecedented curtailment in tourism, the main driver of the Bahamian economy, and consequently, a deep reduction in economic activity, and an increase in unemployment. To support the recovery, a MIGA guarantee was issued covering commercial loans for use by the Government’s Small Business Development Center’s (SBDC) loan guarantee program as part of the country’s COVID-19 response program.

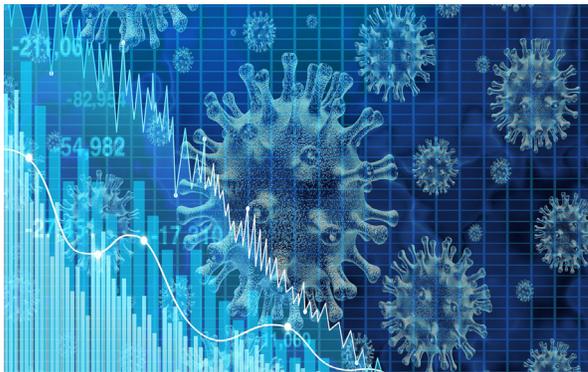
The MIGA-supported finance is helping micro, small and medium enterprises (MSMEs) to preserve jobs, improve productivity, stimulate economic activity, and promote resilience. In the face of the Covid-19 pandemic and its aftermath, MSMEs, the backbone of the country’s economy, account for 20-30 percent of GDP and 47 percent of all employment. MIGA-supported financing will be used by SBDC to provide guarantees for MSMEs, which will enable them to access loans from financial institutions. Additionally, SBDC will use the MIGA-guaranteed financing for microloans and grants to eligible MSMEs, as well as

to fund the operational expenses of programs geared to youth, public sector entrepreneurship and economic recovery.

Through MIGA’s engagement, SBDC will enhance its E&S risk management process for MSMEs by developing and implementing an E&S management system in line with MIGA’s E&S performance standards. Typical E&S risks associated with activities of MSMEs include labor management, pollution control and waste management. MIGA provided guidance to SBDC in the development of the E&S management system; the management system will enable SBDC to adequately identify, assess and manage the E&S risks and impacts associated with the activities of the MSMEs.

MIGA’s guarantees are also supporting the Public Hospitals Authority, as part of the Government’s COVID-19 emergency response. The COVID-19 pandemic struck as the Bahamas was rebuilding from the devastation caused by Hurricane Dorian in September 2019. The one-two punch of Hurricane Dorian and the COVID-19 pandemic revealed the need to address chronic bed shortages, long wait-times, and limited access to appropriate diagnostic tools in the public hospital facilities in the country.

The financing supported by MIGA’s guarantee operation—one aspect of the Government’s COVID-19 response program targeted at the health sector—sought to tackle the situation with the expansion of service capacity and enhanced



diagnostic and care facilities in the upgrading of two of three public hospitals: the Princess Margaret Hospital and Sandilands Rehabilitation Center. The work involves renovation of a new infectious disease unit, reforming access to urgent care and emergency care services at Princess Margaret Hospital, and renovations of priority wards at both facilities.

The MIGA team worked with personnel at the Princess Margaret Hospital to develop and implement a management system. The design of the system aimed to facilitate integration with the hospital's existing quality management system and to manage the E&S risks and impacts at the two facilities in line with MIGA's E&S Performance Standards.

MIGA issued guarantees in support of several commercial lenders of Banco Nacional de Fomento (BNF) of **Paraguay**. The COVID-19 pandemic affected Paraguay at a critical moment, just as the economy was recovering from a recession. BNF, whose mission is to promote the economic and social development of the country through banking and financial services, used the funds mobilized by MIGA's guarantees as part of the Government of Paraguay's Economic Recovery Plan. BNF is providing medium and long-term loans to key sectors of the economy affected by the COVID-19 pandemic, including

cooperatives of producers and medium and large corporations operating in export-oriented sectors of the economy.

BNF is working to ensure that MIGA's environmental and social requirements are adhered to through the implementation of an E&S management System. Through the implementation of the system, BNF:

1. screens against a list of excluded activities (these are activities which MIGA-guaranteed use of proceeds cannot support, for example, production or trade in tobacco);
2. confirms that clients follow applicable national regulations, and
3. verifies that larger corporate clients follow the requirements of MIGA's E&S Performance Standards.

BNF is also a member of the Paraguay Roundtable on Sustainable Finance, which has established sector-specific guidance for management of environmental and social risks in, for example, the cattle and agroindustry sectors. To further strengthen its sustainability engagement, BNF has also entered into an agreement with the World Wildlife Fund to promote collaboration and capacity building related to environmental, social, and economic sustainability.



The Project and BNF’s sustainability work in the agricultural sector align with the World Bank Group’s engagement in Paraguay. At both the government and sector levels, the World Bank and IFC have supported Paraguay in developing strategies to address beef-sector sustainability as part of the country’s World Bank Group Country Partnership Framework, and to establish a framework for environmental traceability of cattle.

Partnering to address E&S challenges to drive positive development impact in Africa

MIGA’s guarantees have been issued in support of a pre-construction study phase of a high-grade, open-pit iron ore mine in the Nimba Mountains in the Nzérékoré Region in southeastern **Guinea**, as well as the development of solutions for the transportation of the iron ore through neighboring Liberia.*

A highly significant risk associated with the eventual development of the iron mine is the biodiversity context of the project. Surrounding the proposed project site are overlapping legally protected and internationally recognized areas including a Strict Nature Reserve, a Key Biodiversity Area, an Alliance for Zero Extinction site, a UNESCO Man and the Biosphere Reserve and a Natural World Heritage Site. The Nimba mine area is Critical Habitat, and numerous Critically Endangered and Endangered species are present, including the West African chimpanzee.

MIGA’s support for the Project is aimed at ensuring that MIGA’s E&S Performance Standards—in particular Performance

“If iron ore mining is to take place in this highly sensitive location, the greatest care and attention must be paid to the environmental and social impact.”

**Sarvesh Suri,
MIGA Director of Operations**

Standard 6, Biodiversity Conservation and Sustainable Management of Living Natural Resources—are kept ‘front and center’ in the planning of the broader mining project and that the mitigation hierarchy (i.e. avoid, minimize, mitigate, restore and compensate) is applied at the design stage. Should the Project lead to commencement of operations, the mine will be significant in terms of employment and contribution to Guinea’s economy and unlock a transport corridor between Guinea and Liberia which has the potential to strongly benefit the economic activity of the two countries.

Sustainable development of the mining sector is key to diversified economic growth in Guinea. Guinea is a low-income country endowed with vast natural resources, especially mining and hydropower resources, which have the potential to generate substantial income.

Growth in Guinea is driven significantly by foreign direct investment in the mining sector. The mining sector accounts for over 25 percent of GDP, 80 percent of foreign exchange earnings, and 25 percent of government revenues. Together with related services, mining employs over 25,000 people and many more indirectly. Guinea was one of the few African countries expected to have positive GDP growth in 2021 despite the COVID-19 pandemic, mainly due to investments in the mining sector.

The proposed project is in line with the World Bank Group’s engagement in Guinea, focusing on improving the management of the mining sector, as well as protecting natural resources and biodiversity. The project is also aligned with the World Bank Group’s engagement in Liberia by supporting regional transport integration.



* For the avoidance of doubt, MIGA’s guarantee does not include any construction and operational phases of the Nimba mine. Commercial production is excluded from the scope of MIGA’s cover. If a MIGA guarantee is requested for future phases, MIGA will undertake a new assessment.

MIGA PERFORMANCE STANDARDS ON ENVIRONMENTAL AND SOCIAL (E&S) SUSTAINABILITY

Performance Standard 1:**ASSESSMENT AND MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS AND IMPACTS**

Underscores the importance of identifying E&S risks and impacts, and managing E&S performance throughout the life of a project.

**Performance Standard 5:****LAND ACQUISITION AND INVOLUNTARY RESETTLEMENT**

Applies to physical or economic displacement resulting from land transactions such as expropriation or negotiated settlements.

**Performance Standard 2:****LABOR AND WORKING CONDITIONS**

Recognizes that the pursuit of economic growth through employment creation and income generation should be balanced with protection of basic rights for workers.

**Performance Standard 6:****BIODIVERSITY CONSERVATION AND SUSTAINABLE MANAGEMENT OF LIVING NATURAL RESOURCES**

Promotes the protection of biodiversity and the sustainable management and use of natural resources..

**Performance Standard 3:****RESOURCE EFFICIENCY AND POLLUTION PREVENTION**

Recognizes that increased industrial activity and urbanization often generate higher levels of air, water, and land pollution and that there are efficiency opportunities.

**Performance Standard 7:**
INDIGENOUS PEOPLES

Aims to ensure that the development process fosters full respect for indigenous Peoples.

**Performance Standard 4:****COMMUNITY HEALTH, SAFETY AND SECURITY**

Recognizes that projects can bring benefits to communities, but can also increase potential exposure to risks and impacts from incidents, structural failures, and hazardous materials..

**Performance Standard 8:**
CULTURAL HERITAGE

Aims to protect cultural heritage from adverse impacts of project activities and support its preservation.



WHAT ARE THE BENEFITS OF THE PERFORMANCE STANDARDS (PSs)

CREATE VALUE FOR BUSINESS

Sustainability has become an important factor in business strategies. Many companies recognize that by addressing E&S issues they can save on costs, improve their brand and reputation, and strengthen stakeholder relations.

REALIZE OPPORTUNITIES AND GUARD AGAINST UNFORSEEN RISKS

Implementing the PSs helps companies identify and guard against interruptions in project execution, brand protection, and/or accessing international markets.

IMPROVE FINANCIAL AND OPERATIONAL PERFORMANCE

Implementation of the PSs can help optimize inputs such as water and energy, and minimize emissions, effluents, and waste, leading to a more efficient and cost-effective operation.

SOCIAL LICENSE TO OPERATE

The PSs help clients maximize local development benefits and encourage the practice of good corporate citizenship. Enhanced brand value and reputation may also be attractive to new investors or financiers.

GAIN AN INTERNATIONAL STAMP OF APPROVAL

The "Equator Principles," which have been adopted by over 130 of the world's leading financial institutions in developed and developing countries, are based on the PSs. These principles are estimated to cover over 70% of project finance debt in emerging markets..

A Year of Achievement in Strengthening MIGA's Environmental & Social Accountability

FY21 was an impactful year in MIGA's history of Environmental and Social accountability, as MIGA ended the year with its strongest ever accountability framework. Most noteworthy was the approval by MIGA and IFC's Boards of the first policy in the history of the institutions governing the activities of the Compliance Advisor Ombudsman (CAO)—MIGA and IFC's independent accountability mechanism.

The CAO role in MIGA and IFC's accountability frameworks is to enhance MIGA and IFC's project performance and reduce the risk of harm to people and the environment. The CAO works to facilitate the resolution of complaints from people affected by IFC and MIGA projects, improve environmental and social project outcomes, and foster public accountability and learning through its dispute resolution, compliance, and advisory functions.

The new Policy is a landmark achievement and, along with progress on additional sets of reforms, will enhance MIGA and IFC's delivery of positive outcomes in their E&S engagement with clients, including in providing more opportunities for resolving concerns of local communities when these arise in projects.

MIGA's ongoing work to enhance its E&S outcomes accelerated in FY21 when the MIGA and IFC Boards of Directors released for public comment a report of an independent External Review Panel, "The External Review of MIGA and IFC's E&S Accountability, including the Compliance Advisor Ombudsman (CAO)" in August 2020. The Report provided recommendations to strengthen MIGA's accountability by means of i) development of a new policy pertaining to MIGA and IFC's Independent Accountability Mechanism (i.e., CAO); ii) actions MIGA and IFC should take to strengthen their own E&S accountability processes and practices; and iii) a potential approach to enabling remedial solutions for stakeholders negatively impacted by MIGA and IFC projects.

"The CAO policy demonstrates a strong, shared commitment to problem-solving and accountability with the goal of improving the outcomes of IFC and MIGA projects on the ground"

Janine Ferretti, Compliance Advisor Ombudsman and Vice president of the World Bank Group

The New CAO Policy

In June 2021, the Board approved a new policy governing the activities of the CAO, which became effective July 1 2021. The Policy was developed by a joint CAO, IFC and MIGA Working Group. It involved extensive public consultations online and in-person to solicit input and feedback from CAO complainants, civil society organizations, MIGA and IFC clients, development finance institutions, independent accountability mechanisms, and other stakeholders.

The Policy serves to reinforce CAO's independence from MIGA and IFC Management and strengthens the role of the IFC and MIGA Boards in the CAO process as the CAO, under the new policy, will report to the Boards of IFC and MIGA. This change aligns the CAO's reporting line with that of the World Bank's accountability framework, comprising the Inspection Panel and Dispute Resolution Service. The Policy advances other important reforms including:

- **promoting people's access to the CAO** and respecting the complainants' choices in the process;
- **providing more opportunities for MIGA, IFC and clients to resolve complaints early** and proactively;
- **integrating an approach to threats and reprisals**, which is a growing area of concern among complainants in many countries;
- **ensuring a transparent, fair, and predictable process for complainants and clients;**
- setting out **clear timeframes** and expectations for handling complaints;
- including **clearer eligibility requirements for complaints** related to financial intermediary clients and supply chains where the financial relationship to IFC/MIGA may be indirect;
- allowing for complaints to be considered, in exceptional circumstances, **on projects where MIGA and IFC have exited** (for up to 15 months);

- **enhancing the process for compliance reviews of MIGA and IFC** and the role of Management in responding to compliance findings through timebound, remedial action plans developed in consultation with clients and complainants and that focus on outcomes for affected communities; and
- **promoting dissemination of information about CAO** and project-level grievance mechanisms to ensure these mechanisms are known to project-affected people.

Enhancements that complement the new CAO Policy

The External Review identified additional actions for MIGA and IFC to implement to enhance MIGA and IFC's E&S outcomes. MIGA, alongside IFC, is working on these areas under a timetable that has been agreed with their respective Boards of Directors. MIGA's goal is to complete all the agreed actions to enhance its E&S work by end FY23.

The broad areas for action include:

- **Improving MIGA and IFC systems and procedures**, including the Environmental and Social Review Procedures (ESRP), which are important as they define MIGA and IFC management-approved tasks to achieve client compliance with the Policy and Performance Standards on Environmental and Social Sustainability, Access to Information Policy, and Environmental, Health and Safety (EHS) Guidelines. This work will

include the launch of the Sustainability Rating Tool for projects—the first sustainability rating system to use Performance Standards as the basis for evaluation;

- **Enhancing grievance mechanisms** to better handle complaints from communities impacted by MIGA and IFC's projects and, in the case of MIGA, consider whether creating an internal process for grievances similar to IFC's would be appropriate for MIGA;
- **Strengthening how MIGA and IFC handle CAO and non-CAO complaints at an early stage** in the complaint process;
- Providing greater clarity to the MIGA and IFC E&S specialists on the criteria related to **E&S issues in supply chains in MIGA and IFC projects**;
- **Mainstreaming in MIGA and IFC contextual risk assessments during due diligence and supervision.** These assessments focus on the risks faced by our clients from the external operating environment and that the client does not control but which can impact the client's ability to meet the E&S requirements and the project's anticipated development objectives. This will entail implementing a framework for contextual risk assessment and the provision of training and engagement with clients on these issues; and
- **Enhancing MIGA's efforts to document and share learning on E&S issues with clients.**

5. Report Under the Task Force on Climate-Related Financial Disclosures

This report is MIGA's first disclosure under the guidelines recommended by the Task Force on Climate-related Financial Disclosures (TCFD). It comes at the end of the landmark World Bank Group (WBG) Climate Change Action Plan 2016–2020 and follows the adoption in June 2021 of the WBG Climate Change Action Plan 2021–2025, which is shaping the WBG's climate action agenda for the next five years.

As part of MIGA's efforts under the Action Plan, MIGA is adopting the disclosure recommendations of the TCFD to more effectively communicate its climate strategy, internal procedures for climate change management, and potential climate-related risks and opportunities. This report should be viewed as

an initial disclosure, noting that MIGA's climate change management structures, policies, and procedures are currently evolving and undergoing enhancements to meet the ambition of the new Climate Change Action Plan. The report reflects MIGA's continued commitment to maintain and strengthen our climate-related disclosures across all aspects of our mission and to continue this journey in future TCFD-related disclosures.

The TCFD's recommendations on climate-related financial disclosure are structured around four core elements (see figure 1), and this report takes these core elements as its organizing principles.

Core Elements of TCFD Disclosure Recommendations





A. Governance

All aspects of MIGA's climate business and internal climate change management procedures are overseen by **MIGA's Executive Vice President (EVP)**, who reports to the **President of the World Bank Group (WBG)**. The WBG President sets the overall ambition on climate action for the WBG and is selected by the IBRD, IDA, IFC, and MIGA Boards of Directors. MIGA's **Board of Directors**, comprising 25 representatives from MIGA's member countries, are responsible for approving all of MIGA's climate business operations, policies, and overall governance structures. Notably, over the past year, the MIGA Board of Directors endorsed a new climate finance target and a Paris Agreement alignment target, which will drive MIGA's climate business and climate change management procedures over the next five years. MIGA reports its progress on climate activities to the MIGA Board of Directors as part of the biannual EVP Board Reports. Separately, the WBG reports progress on the Action Plan annually to the Board of Executive Directors. The WBG corporate scorecard will also report annually on key high-level climate indicators such as climate finance. (For further details, see the "Metrics and Targets" section below.)

Vice Presidential and Departmental Leadership

Under the responsibility of MIGA's EVP are two Vice Presidents: The **Vice President, Operations**, oversees the Operations departments, which are mandated to seek opportunities to grow MIGA's climate business. The **Vice President, Chief Risk, Legal & Sustainability Officer and Partnerships** oversees three MIGA departments: (a) Finance and Risk Management, (b) Economics and Sustainability, and (c) Legal Affairs and Claims. The Economics and Sustainability department is mandated to provide climate analytics and technical expertise to MIGA's climate business; contribute to WBG climate analytics and strategy; support the development of MIGA's climate business; and evaluate, monitor, and report on MIGA's climate activities. MIGA's Vice

Presidents also participate in various WBG formal and informal groups that review major WBG initiatives, strategies, policies, and targets—including those pertaining to climate—before submission to the Board of Directors.

The **Director of Economics and Sustainability** (under the supervision of the Vice President, Chief Risk, Legal & Sustainability Officer and Partnerships) oversees the Sustainability and Climate Unit, which works with MIGA's operations management and staff, as well as clients and businesses, to address environmental and social risks and the impacts of climate change to foster sustainable practices in all MIGA operations. The unit includes a team of climate change specialists who are responsible for evaluating all new business for climate mitigation and adaptation finance opportunities; conducting climate risk analysis and greenhouse gas (GHG) accounting; and providing inputs for carbon pricing analysis, environmental and social project due diligence, development impact assessments, and climate-related commitments in legal contracts. The team of climate change specialists also actively monitors the existing portfolio of projects against climate requirements and commitments made at the approval stage. In addition, MIGA participates in several joint working groups with other multilateral development banks (MDBs) on opportunities for harmonizing approaches related to MDB climate activities.

The Vice President, Operations, oversees all guarantee operations at MIGA. Two operations departments are under his leadership: (a) Infrastructure, Manufacturing, Agribusiness, Services (MAS) and Trade Finance; and (b) Climate, Energy, and Finance. The latter formulates MIGA's strategy and implementation plans at the agency, sectoral, and regional levels to grow MIGA's climate finance origination and business and to foster MIGA's climate objectives. Both operations departments work to drive and innovate MIGA's products and product applications, achieve business targets (including climate finance targets), and grow MIGA's guarantee business in climate activities.

Strategy, Policy, and Project Review Process

MIGA’s strategies, policies, and projects are reviewed by the **MIGA Management Team (MMT)**, which includes MIGA’s Directors, Vice Presidents, and Executive Vice President. The MMT reviews all guarantee projects to be supported by MIGA in two stages:

1. Before the *Early Screening Committee*, chaired by MIGA’s EVP, the MIGA project team presents the project rationale and determination of the potential for alignment with MIGA’s mandate and policies and provides guidance to the project team for due diligence. Climate finance opportunities are flagged at this stage, as is the potential for the project to advance, hinder, or be neutral to the attainment of the principles and goals of the Paris Agreement as well as any climate resilience concerns or opportunities. The project is also screened against MIGA’s Sustainability Policy and MIGA’s Environmental and Social Performance Standards.
2. Before the *Project Review Committee*, in a decision meeting chaired by MIGA’s EVP, the project team presents the full evaluation of the project, including climate finance volumes; climate risks to project performance; any avoided GHG emissions or climate mitigation benefits of the project; and further analysis on the potential of the project to advance, hinder or be neutral to the principles and goals of the Paris Agreement. The project is also assessed for consistency with MIGA’s Sustainability Policy and MIGA’s Environmental and Social Performance Standards. The project’s development impact is analyzed, among many other aspects of the project and its expected performance. If a project is approved at this stage, the project will then proceed for approval to MIGA’s Board of Directors, under the delegated authority from the WBG President to MIGA’s EVP.

MIGA’s report to the Board includes climate information pertaining to the project, such as whether it has a climate finance component. All individual projects supported by MIGA are either approved by the Board of Directors directly or under specific authority delegated by the Board to MIGA’s management. MIGA’s Board of Directors can seek clarification from

MIGA, including potential climate risks to projects, opportunities to maximize climate finance by enhancing the climate mitigation or climate adaptation benefits yielded, and the project’s alignment with the Paris Agreement.

B. Strategy

Increasing MIGA Support to Cross-Border Climate Finance Investments

MIGA’s political risk insurance and credit enhancement products have helped cross-border investors to protect their long-term investments in climate mitigation and climate adaptation activities across diverse markets and regions. As one of the few multilateral institutions that provides long-maturity guarantees, MIGA is instrumental in fostering the lock-in of transformational climate action. In FY21, MIGA issued about \$1.35 billion of guarantees supporting climate change mitigation or adaptation in 22 countries across four regions, representing 26 percent of its guarantee issuance, up from only 7 percent five years ago.

Implementing the Climate Change Action Plan

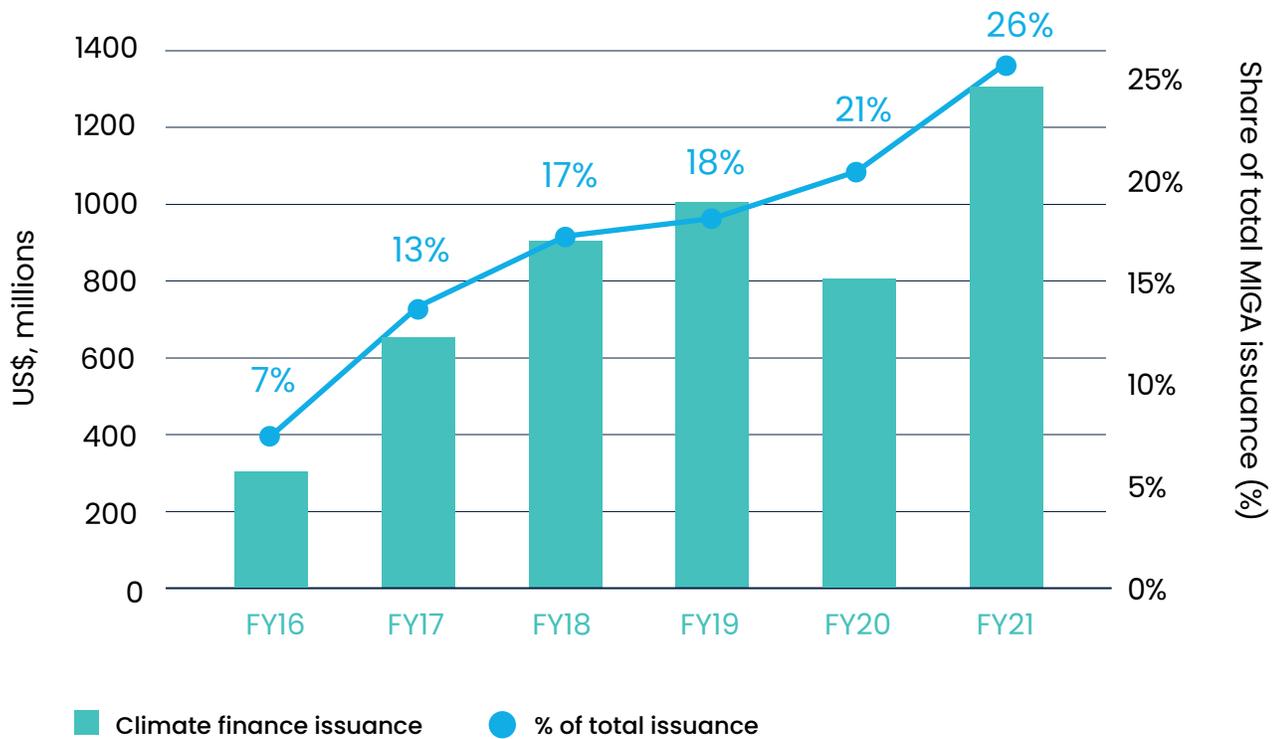
The **WBG Climate Change Action Plan (CCAP) 2021–2025** aims to advance the climate change aspects of the WBG’s Green, Resilient, and Inclusive Development (GRID) approach, which views poverty eradication and shared prosperity through a sustainability lens. The Action Plan reflects WBG support to public and private sector clients to maximize the impact of climate finance, aiming for measurable improvements in adaptation and resilience and measurable reductions in GHG emissions. It also considers the vital importance of natural capital, biodiversity, and ecosystems services. The CCAP 2021–2025 represents a shift toward accelerating the ramping up of climate finance while pursuing broader development objectives through the GRID approach.

Climate change is a priority area in MIGA’s strategy along with support for low-income (IDA-eligible) countries and countries facing fragility, conflict, and violence (FCV). MIGA’s climate strategy reflects the ambition of the commitments made in both the

WBG CCAP 2021–2025 and **MIGA’s Strategy and Business Outlook (2021–2023)** to deepen its impact as countries recover from the COVID-19 pandemic. MIGA’s commitments under the new WBG CCAP 2021–2025 include:

- Increasing the share of MIGA guarantees toward climate mitigation and adaptation to an average of 35 percent of MIGA’s overall business over 2021–25
- Working with the World Bank and IFC to produce the WBG’s own dedicated country climate and development diagnostic, the Country Climate and Development Report (CCDR), which will help countries align their climate action and development agendas while analyzing key mechanisms by which climate change is affecting the country and key features of the economy that are affecting climate
- Mobilizing more private capital toward climate action through innovative applications of MIGA’s political risk insurance and credit enhancement products in high-climate-impact sectors
- Aligning MIGA’s financial flows with the low-carbon and climate-resilient objectives of the Paris Agreement by (a) ensuring that 85 percent of Board-approved real sector operations are aligned with the goals of the Paris Agreement starting in July 2023 and 100 percent starting in July 2025 (which will require beginning to align 100 percent of MIGA’s projects at the concept stage well ahead of July 1, 2023); and (b) applying a methodology for financial institutions and funds, once finalized, to this business line in a similar manner.
- Helping to drive private sector investments into resilience and climate adaptation by integrating

MIGA Climate Finance Issuance, FY16–FY21



climate into its country risk assessment work and screening all proposed MIGA guarantees for physical climate risks by the end of FY23.

MIGA continues to focus on **five key strategic areas** for its climate business: clean energy, climate-smart agribusiness, green buildings, public transportation, and green finance. This focus will entail assessing opportunities to enhance low-carbon and climate-resilient development pathways by evaluating both **physical and transition climate-related risks** in these sectors to limit climate change impacts at the country level. This will be critical to achieving the World Bank Group’s twin goals of reducing poverty and boosting shared prosperity.

To those ends, MIGA will continue to search for **new market opportunities** in the following areas:

 **Cities:** MIGA will aim to scale up its green building business, both through de-risking of asset owners directly and through financial intermediaries by increasing the use of green mortgages and green construction finance. MIGA will support our clients to adopt circular economy approaches to advance climate, development, and broader sustainability goals.

 **Transportation:** MIGA will support investments in energy-efficient equipment and infrastructure, particularly in rail, ports, and airports.

 **Manufacturing:** MIGA will help the manufacturing sector to accelerate a path toward decarbonization via resource efficiency and low-carbon solutions. By providing de-risking products, MIGA will support clients to implement proven abatement measures and innovative technologies. MIGA will apply three principles to investments across heavy manufacturing industries: (a) not supporting new coal-fired power projects or wet process in cement; (b) differentiating the sustainability and climate “bar” for supported investments based on the development stage of client countries while also promoting progressive transitional sustainability improvements where absolute sustainability is not yet achievable; and (c) assessing the sustainability and climate-related drivers in projects, such as energy sources and alternatives, materials used and alternatives, products produced and

alternatives, and process technology, striving for best-in-class production processes.

 **Nature-based solutions:** MIGA will scale up private sector investments that integrate climate risk management measures and support resilience and adaptation. Therefore, nature-based solutions are key to developing sustainable business models that consider biologically diverse ecosystems and protect biodiversity. In support of these efforts, MIGA is integrating ecosystem services valuation into its climate risk screening framework. The approach will allow MIGA to demonstrate to its clients the costs and benefits (avoided losses) yielded from the protection of natural capital.

 **Climate-smart agriculture:** MIGA will increase its support for sustainable agribusiness transactions by supporting investors in de-risking private financial flows and climate finance to agribusiness operations and interconnected value chains. Moreover, MIGA will emphasize the adoption of climate-smart techniques that increase resilience to climate-related shocks, raise awareness about identifying and managing climate risks, and propose GHG emissions accounting methodologies tailored to our clients.

 **Energy:** MIGA will seek to scale up its renewables portfolio by maximizing private sector participation in utility-scale solar, wind, hydropower, and geothermal opportunities. MIGA will continue to strive to develop innovative ways for its guarantees to support micro- and off-grid solutions that can accelerate electrification to underserved communities, specifically in IDA-eligible countries and in those affected by FCV.

A **just transition away from coal** is crucial to achieving the goals of the **Paris Agreement**. MIGA, in collaboration with the World Bank and IFC, will work with our clients to support the phase out of coal, including through innovative financing or de-risking instruments and incentives. The transition away from coal must be done justly, with due attention to people and the distributional effects.

MIGA is also prioritizing the use of its guarantee products to support the **greening of financial**

intermediaries (FIs), with a focus on promoting climate-friendly sustainable financing practices. MIGA's engagement with FI clients is serving to direct the use of proceeds of MIGA-supported finance—or the capital relief facilitated by MIGA's capital optimization product—toward climate adaptation and mitigation investments while also helping to strengthen clients' climate risk strategies whenever possible. In addition, MIGA will no longer support FI clients that do not have a plan to phase out their investments in coal and coal-related projects over an agreed period of time, but no later than 2030, and will support its FI clients in developing disclosure frameworks.

MIGA will also help FI clients to green their portfolios, grow their climate finance business, and mainstream climate risk assessments, including by (a) evaluating the clients' existing capacity and providing guidance on organizational constraints and knowledge gaps related to climate change management; (b) evaluating the clients' existing portfolio of investments and helping them identify climate finance opportunities; (c) supporting clients in developing relevant climate-related policies and low-carbon and climate-resilient development trajectories; (d) conducting capacity building centered on tools and methodologies to facilitate better carbon and climate risk management; and (e) providing guidance on enhanced climate-related financial disclosures, including supporting and adopting the TCFD recommendations.

C. Risk Management

MIGA's approach to identifying, assessing, and managing climate risks is conducted in accordance with MIGA's Policy on Environmental and Social Sustainability. Under this policy, all projects are screened against the requirements of the MIGA Performance Standards on Environmental and

Social (E&S) Sustainability. For each project supported by MIGA, before Board approval, an Environmental and Social Review Summary that captures E&S risks (including **climate-related physical and transition risks and mitigation options**) is publicly disclosed according to MIGA's Access to Information Policy. The disclosure period varies by the nature of the risks and expected impacts for a project, but is typically either 30 or 60 days.

Among the MIGA Performance Standards (PS), the climate-related risks are identified and addressed within PS1: *Assessment and Management of Environmental and Social Risks and Impacts*; and PS3: *Resource Efficiency and Pollution Prevention*.

Within PS1, climate-related physical risks that can affect the E&S performance of a project are identified, evaluated, and addressed. The assessment includes a description of climate change hazards from a review of climate model projections and observational datasets, climate-specific project vulnerabilities, and coping capacities or climate resilience measures being taken to limit any adverse climate-related impacts to and by the project. All real-sector projects in all regions are screened for climate risks. MIGA has developed an internal **climate risk screening tool** that extracts climate change projections from over 25 climate models and creates hazard projections for drought, flood, wildfire, tropical cyclones, extreme temperature, and wind. Hazard projections are provided for multiple climate scenarios and over multiple time horizons. The MIGA climate risk screening tool also includes a module to assess the potential impacts of climate hazards to the performance of a project.

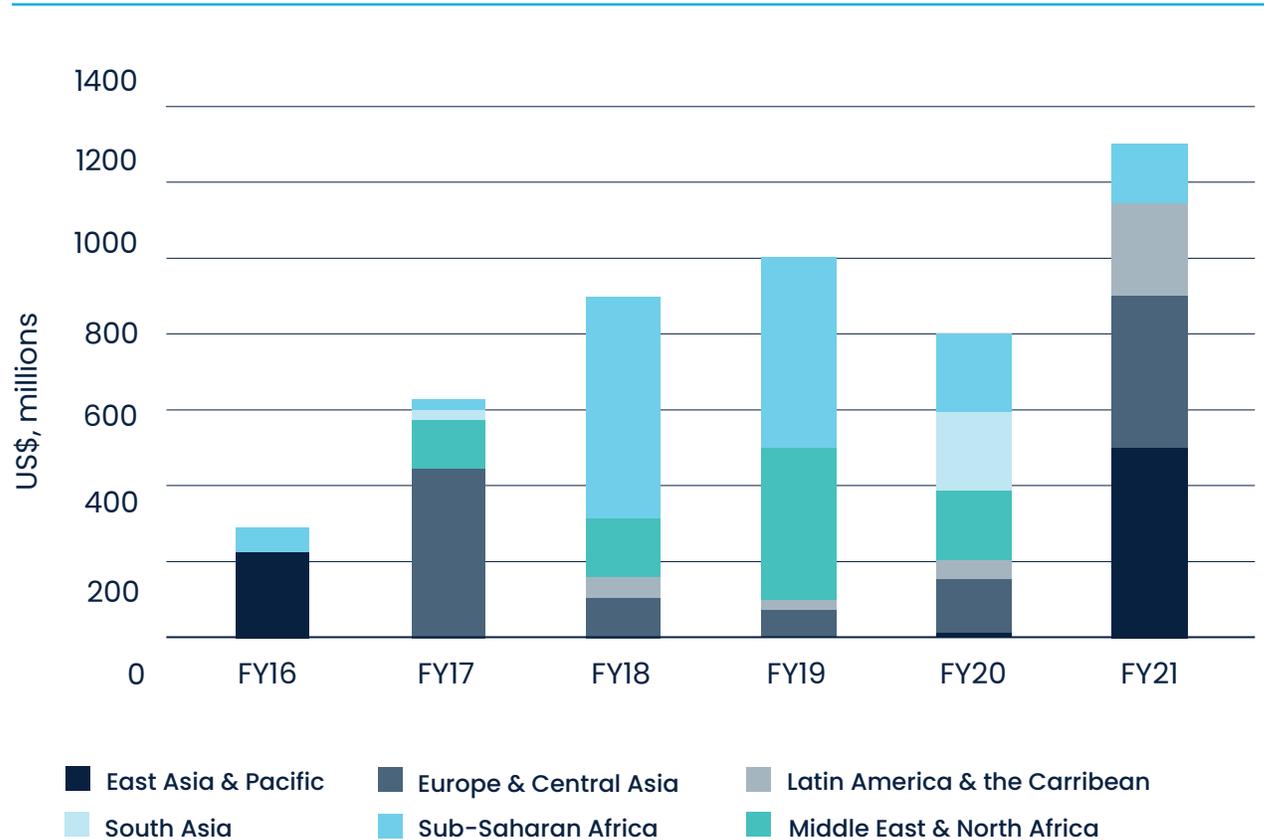
Within PS3, climate-related transition risks are evaluated. Currently, this is limited to GHG accounting for Scope 1 and Scope 2 emissions generated by the project¹. Both gross and net GHG

emissions are calculated, where net GHG emissions reflect the total avoided GHG emissions that result from the project through either energy efficiency gains or lower emissions profiles than the closest viable alternative to the project. Under the requirements of PS3, all projects that are expected to or currently produce more than 25,000 tons of carbon dioxide equivalent (tCO₂e) annually must quantify and report to MIGA (a) the direct emissions from the facilities owned or controlled within the physical project boundary; and (b) the indirect emissions associated with the off-site production of power used by the project.

MIGA’s Contract of Guarantee typically includes an Environmental and Social Action Plan (ESAP) for projects for which PS gaps were identified during the project due diligence. Monitoring requirements are also included, and MIGA’s clients must submit Annual Monitoring Reports (AMRs) and status reports on the ESAP. In addition, MIGA staff may conduct periodic site monitoring visits to ensure compliance².

MIGA also started piloting **carbon pricing** to address transition risks in the economic analysis for carbon-intensive projects. A carbon price is included in the economic analysis of MIGA projects that have a defined use of proceeds and where estimated

MIGA Climate Finance Issuance, by Region, FY16–FY21



¹ Scope 1 emissions are direct emissions from owned or controlled sources. Scope 2 emissions are indirect emissions from the generation of purchased energy.

² Since the COVID-19 pandemic began, staff E&S monitoring of projects is frequently being conducted virtually.



annual project emissions exceed 25,000 tCO₂e. The carbon price levels applied are in line with the 2016 report of the High-Level Commission on Carbon Prices and consistent with those used by the World Bank. Both low and high carbon values are used in project analysis. Carbon price levels depend on the host country income grouping as classified by the WBG, with low values starting at \$40 per tCO₂e in 2020 and increasing to \$78 in 2050, and high values starting at \$80 in 2020 and reaching \$156 by 2050.

In addition, as part of MIGA's efforts to address carbon risks and minimize its indirect exposure to coal-related projects, MIGA follows the WBG practice of not investing in greenfield coal power generation. In 2019, MIGA extended this practice to upstream oil and gas investments. In addition, MIGA does not support new loans to financial institutions for coal-related activities.

D. Metrics and Targets

Climate Change Targets

To build low-carbon and resilient business across sectors, MIGA continues to diversify its climate business and identify new areas of growth. Under the WBG's second CCAP, 35 percent of MIGA's gross issuance will consist of direct climate finance over the five-year period of 2021–25, on average. In addition, MIGA has made commitments for projects to be aligned with the low-carbon and climate-resilient development goals of the **Paris Agreement**. MIGA will align 85 percent of Board-approved real sector operations starting July 1, 2023, and 100 percent of these operations by 2025. To be ready to meet these targets, MIGA, well ahead of the July 2023 target date, will need to begin aligning virtually 100 percent of our projects at the Early Screening Meeting stage. For MIGA's support of financial

institutions, MIGA is working with the IFC on the approach and will join the IFC in announcing the timeline for alignment of these operations to the Paris Agreement during 2022. This phased approach to Paris Alignment will help ensure that, working closely with our clients, we are well prepared to deliver projects that meet both the mitigation and adaptation goals of the Paris Agreement while remaining true to our development mandate.

In FY21, direct climate finance accounted for 26 percent of MIGA's total issuance through FIs (\$654 million), renewable energy (\$615 million), and infrastructure and agribusiness (\$78 million). This represents a significant increase in climate finance issuance, both in dollar terms and as a share of MIGA's total issuance since FY16. MIGA's climate finance supports projects that yield either climate change mitigation and/or climate change adaptation benefits. MIGA has backed climate finance projects across all of the regions covered by MIGA. From FY16 to FY21, almost one third of MIGA's climate finance supported projects were in Sub-Saharan Africa.

MIGA reports the following indicators, at least annually:

- Climate finance as a proportion of total gross issuance of guarantees (%)
- Private mobilization toward climate finance
- GHG emissions avoided (tCO₂e/year)
- GHG gross emissions (scope 1 and 2).

Development Impact

Highlights of MIGA supported projects' anticipated results include:

- Projects for renewable energy and energy efficiency, which are expected to result in over 10 million metric tons of avoided GHG emissions per year
- Projects that provide over 22 million people with access to power generated from renewable sources
- Projects that enable over \$545 million in finance for small and medium enterprises to engage in climate action.

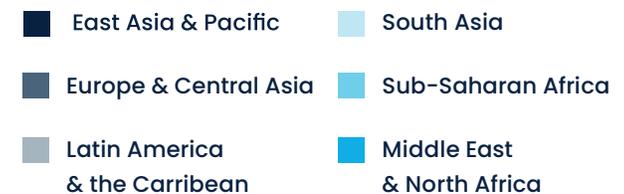
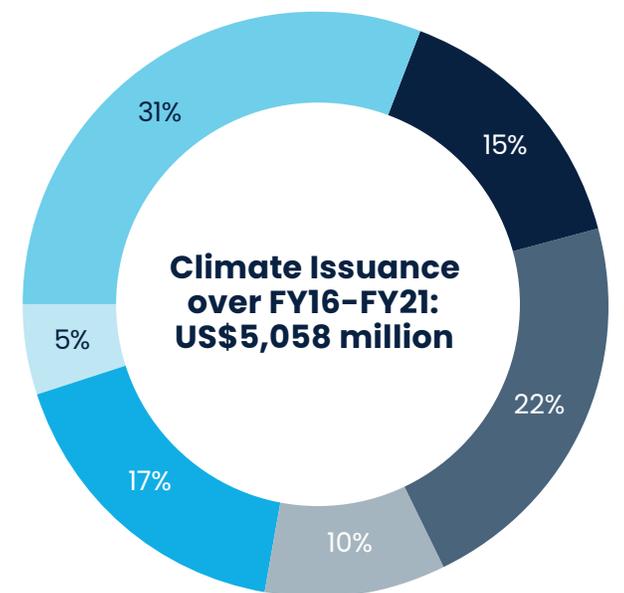
MIGA developed its internal Impact Performance Assessment and Comparison Tool (IMPACT), which assesses and rates expected (ex ante) project-specific outcomes (including those related to environmental and climate outcomes) as well as beyond-the-project outcomes to provide positive demonstration effects to foreign investors (including those pertaining to environment and climate). Before approval, all projects are assessed and rated for expected development impact. Projects that support expected positive climate and environmental outcomes are expected to deliver better development outcomes and receive higher ratings than projects without these benefits.

Greenhouse Gas (GHG) Emissions and Footprint

MIGA continues to calculate and report GHG emissions avoided (tCO₂e/year) and GHG gross emissions (scope 1 and 2). MIGA calculates gross GHG emissions for all real sector projects with emissions over 25,000 tCO₂e. MIGA continues to disclose ex ante estimated annual gross GHG emissions through the publicly available Environmental and Social Review Summary available for all MIGA projects.

From FY19 to FY20, MIGA reduced its own carbon footprint from 2,543 tCO₂e to 1,878 tCO₂e. This target is in line with the WBG's commitment to reduce facility-related emissions by 28 percent over the same period. Owing to the COVID-19 pandemic and its implications for MIGA's staff working arrangements, the comparable figure for FY21 is not available at this time.

Regional Shares of Total Climate Finance Issuance across MIGA's Client Countries, FY16–FY21



Reporting

MIGA publicly reports its progress against climate finance commitments in its Annual Report and in the public Joint Report on Multilateral Development Banks' Climate Finance.

As indicated earlier, MIGA also reports internally to MIGA and WBG senior management on progress toward the CCAP 2021–2025. A scorecard is submitted annually to the Board of Directors that

provides a snapshot of results and performance in institutional priority areas, including MIGA's annual climate finance business. In addition, MIGA's progress against its climate change commitments and targets is provided in the EVP's biannual reports to the MIGA Board and in the individual project documentation provided to the Board when it approves a MIGA guarantee. MIGA also reports annually to the Board of Directors in several briefings.

