



ENVIRONMENT AND SOCIAL BRIEF

INSURING INVESTMENTS ■ ENSURING OPPORTUNITIES

MIGA: Managing Environmental and Social Risks

MIGA's mission is to support developmentally sound investments that will support a country's economic growth, reduce poverty, and improve people's lives. An important component of positive development outcomes is the social and environmental sustainability of projects. To achieve this objective, MIGA applies Performance Standards to every investment it supports. The objectives of these standards are to:

- avoid adverse impacts on workers, communities, and the environment
- if avoidance is not possible, reduce, mitigate, and compensate for the impacts as appropriate
- improve living conditions and/or livelihoods of project affected people whenever possible

Well-designed environmental and social programs can also help manage potential reputational risks for project sponsors, reduce social conflicts within communities, protect the environment and help reduce political risks. For these reasons, MIGA aims to help its clients take a responsible approach to the environmental and social aspects of their projects.

What We Do

MIGA's environmental and social safeguard policies are derived from the agency's extensive experience insuring investments around the world, and are a powerful tool for identifying risks, reducing development costs, and improving project sustainabil-

ity—benefiting affected communities and preserving the environment.

During the underwriting process, MIGA's team of environmental and social experts identifies the policies and guidelines that are applicable to a project. Projects are expected to comply with those policies and guidelines, as well as applicable local, national, and international laws.

A thorough assessment of a project's environmental and social impact is central to MIGA's approach to risk management. Environmental assessments:

- evaluate a project's potential environmental and social risks and impacts
- identify ways to improve project planning, design, and implementation by addressing adverse environmental and social impacts
- include the process of mitigating and managing adverse environmental impacts throughout project implementation

Environmental assessments also take into account the natural environment; human health and safety; and transboundary and global environmental aspects.

Social impact assessments examine a project's impact on peoples' living standards, including on their livelihood, and productive and cultural assets, and can be prepared as a separate report or integrated with the environmental impact assessment.

MIGA insures foreign direct investments against the risks of:

- Currency inconvertibility and transfer restrictions
- Expropriation
- War, civil disturbance, terrorism, and sabotage
- Breach of contract

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

How We Help

MIGA works with its clients to define the parameters of these assessments and initiate them as early as possible in the project development process. After contract signing, MIGA works with the client to monitor the social and environmental performance of projects to ensure compliance with the agency's standards. If an issue arises, MIGA's team of experts works with investors to implement corrective actions.

MIGA's Value

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

Keeping Developmentally Sound Projects on Track

- **Mobilizing sound investments:** As a multilateral development agency, MIGA supports investments that are developmentally sound and meet high social and environmental standards. Governments have a vested interest in the sustainability of investments covered by MIGA.
- **Resolving disputes:** By demonstrating the investments being supported are developmentally sound, meet high social and environmental standards, and are approved by the host country government authorities as well as by MIGA's Board, MIGA is in a strong position to resolve disputes that might arise. MIGA has supported close to 600 different projects in its history, and has been able to resolve disputes that would have led to claims in all but two cases. (A claim was paid in a third case, resulting from damage due to a war event.) MIGA is able to work effectively with all parties to resolve disputes, keeping projects on track.
- **Prompt claims payment:** When claims do need to be paid, MIGA is able to pay them promptly, based on a strong balance sheet and a stable stream of operating income.

Improving Terms and Conditions for Investors/Lenders

- **Accessing funding:** MIGA guarantees help investors obtain project finance from banks.
- **Lowering borrowing costs:** MIGA-guaranteed loans may help reduce risk-capital ratings of projects, leading to lower borrowing costs.
- **Increasing tenors:** MIGA can provide insurance coverage for up to 15 years (in some cases 20), thereby increasing the tenor of loans available to investors.
- **Mobilizing reinsurance capacity:** MIGA is able to provide guarantee support for effectively any size project, through MIGA's ability to secure reinsurance capacity.

Knowledge and Experience

- MIGA can help clients structure transactions to mitigate risk efficiently.
- Clients can benefit from the agency's decades of experience, global reach, and knowledge of developing countries.
- MIGA works with clients to implement social and environmental best practices.

Online Knowledge Services

- FDI.Net (www.fdi.net) – an investor-focused web portal that offers free, on-demand country analysis and information on foreign direct investment in over 160 countries.
- PRI-Center (www.pri-center.com) – a free service providing in-depth analysis on political risk environment and management issues affecting 160 countries.

Contact

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Technical Assistance

MIGA helps countries define and implement strategies to promote investment through technical assistance services managed by the World Bank Group's Foreign Investment Advisory Services group (www.fias.net).