



Annual Report — 2021



About MIGA

Our mandate is to promote cross-border private investment in developing countries by providing guarantees (political risk insurance and credit enhancement) to investors and lenders.

In FY21, MIGA issued US\$5.2 billion in new guarantees across 40 projects. These projects are expected to provide 784,000 people with new or improved electricity service, create over 14,000 jobs, generate over US\$362 million in taxes for the host countries, and enable about US\$1.3 billion in loans to businesses—critical as countries around the world work to keep their economies afloat. Of the 40 projects supported during FY21, 85 percent addressed at least one of the strategic priority areas, namely, IDA-eligible countries (lower-income), fragile and conflict-affected situations (FCS), and climate finance.

As of June 2021, we have also issued US\$5.6 billion of guarantees through our COVID-19 Response Program and anticipate an expansion to US\$10–\$12 billion over the coming years, a testament to the countercyclical role that MIGA can play in mobilizing private investment in the face of the pandemic.

A member of the World Bank Group, MIGA is committed to strong development impact and promoting projects that are economically, environmentally, and socially sustainable. MIGA helps investors mitigate the risks of restrictions on currency conversion and transfer, breach of contract by governments, expropriation, and war and civil disturbance, as well as offering credit enhancement on sovereign obligations.

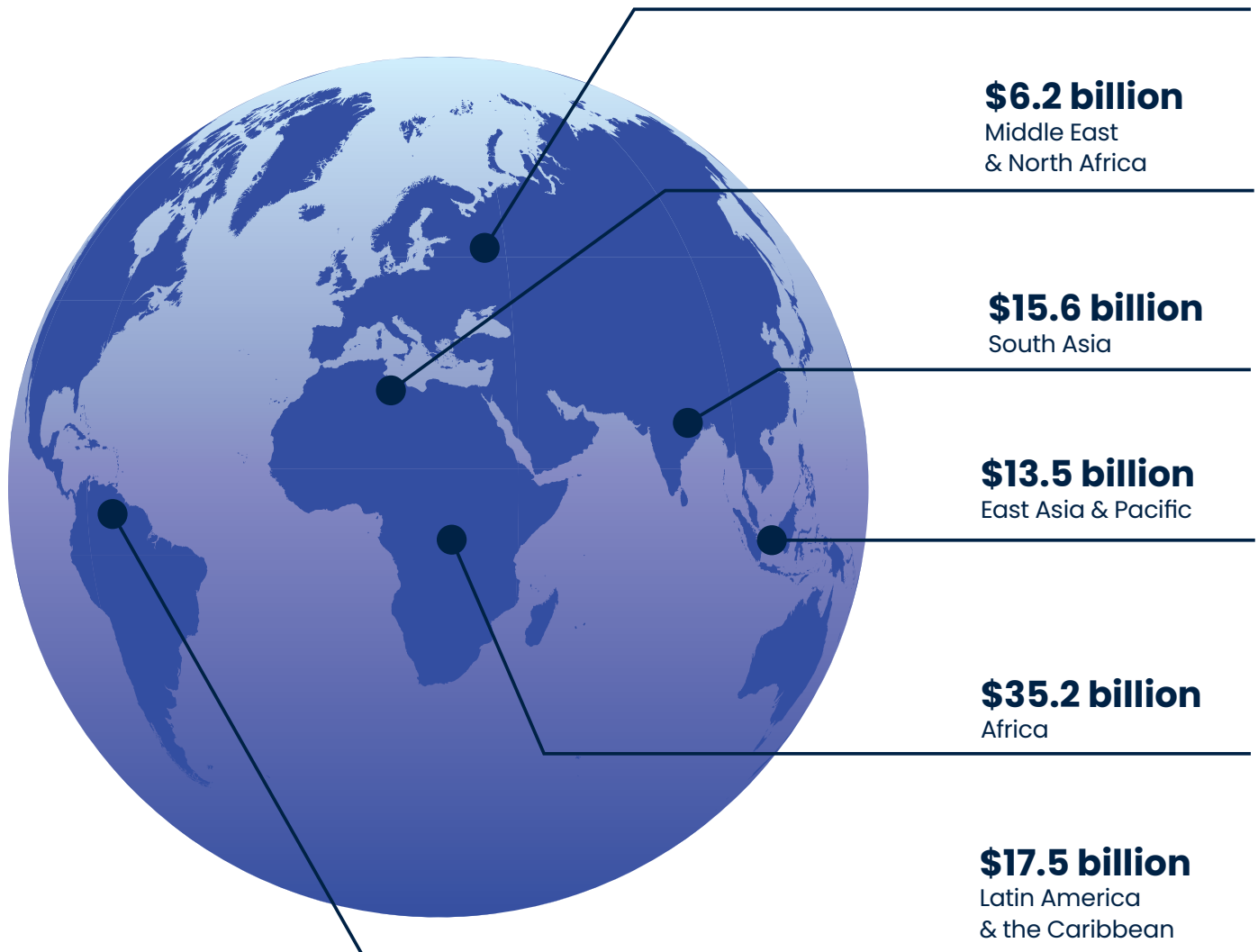


World Bank Group Global Commitments

In fiscal 2021, the World Bank Group delivered record levels of financing at an unprecedented pace; conducted in-depth analysis and research; and partnered with governments, the private sector, and other institutions to help developing countries address the wide-ranging impacts of the COVID-19 pandemic and work toward a green, resilient, and inclusive recovery.

Total US\$98.8 billion

in loans, grants, equity investments, and guarantees to partner countries and private businesses*



* Total includes multiregional and global operations.
Regional breakdowns reflect World Bank country classifications

Message from the President



Since the start of the COVID-19 pandemic, the World Bank Group has worked hard to help countries fight the pandemic's health, economic, and social impacts.

From April 2020 through the end of fiscal 2021, the Bank Group committed over \$157 billion—the largest crisis response in any such period of our history. We have helped countries address the health emergency, procure billions of dollars of medical supplies, deploy COVID-19 vaccines, strengthen health systems and pandemic preparedness, protect the poor and vulnerable, support businesses, create jobs, promote growth, and expand social protection.

Despite this unprecedented global effort, the pandemic has reversed gains in global poverty reduction for the first time in a generation, pushing nearly 100 million people into extreme poverty in 2020. I remain deeply concerned about fragile states, which have been particularly hard-hit by unsustainable debt burdens, climate change, conflict,

and weak governance. And though I am hopeful for the global economy to rebound, many of the world's poorest countries are being left behind, with inequality widening both within and between countries. We are committed to working with our partners to find solutions to these urgent challenges—including by promoting transparency, human rights, and a rule of law that extends accountability to all institutions. We are working to save lives, protect the poor and vulnerable, support business growth and job creation, and rebuild in better ways toward a green, resilient, and inclusive recovery.

Ensuring safe, fair, and widespread immunization will be key to curb the pandemic and advance recovery: we are supporting countries' access to COVID-19 vaccines, including through COVAX and directly from manufacturers. The World Bank has expanded its financing available for COVID-19 vaccines to \$20 billion over two years—in fiscal 2021 alone, we committed \$4.4 billion for 53 countries. Working with WHO, Gavi, and UNICEF, we developed mechanisms for safe distribution in 140 low- and middle-income countries. We are partnering with the African Union and the Africa Centers for Disease Control to support the Africa Vaccine Acquisition Trust (AVAT) in order to help countries purchase and deploy COVID-19 vaccines for up to 400 million people

across Africa. And we are working with the IMF, WHO, WTO, and other partners to track, coordinate, and advance delivery of vaccines to developing countries.

IFC is doing vital work to build resilient health systems and expand the manufacturing and supply chains for COVID-19 vaccines. Through its Global Health Platform, IFC committed \$1.2 billion to support vaccine manufacturing capacity, including in Africa, and the production of essential services and medical equipment, including test kits and personal protective equipment. IFC-led investments include the mobilization of a €600 million financing package to boost COVID-19 vaccine production in South Africa, support to vaccine manufacturers in Asia, and investments in medical equipment manufacturers and suppliers.

To address many countries' risk of debt distress, we've played a key role in the G20's Debt Service Suspension Initiative, alongside the IMF. The effort has helped more than 40 countries to suspend debt service payments in excess of \$5 billion, freeing up fiscal space as countries combat the crisis. While I am pleased the initiative has been extended to the end of 2021, more needs to be done, particularly to reduce the stock of debt in the poorest countries. With the IMF, we are helping implement the G20 Common Framework for Debt Treatments, which aims to reduce countries' debt burdens for the long term.

As the world emerges from the pandemic, climate change will remain a central challenge. The World Bank Group is the largest multilateral provider of climate finance for developing countries. Over the past five years, we have delivered over \$83 billion—in fiscal 2021 alone, our climate finance totaled over \$26 billion. Our new Climate Change Action Plan, launched in June, seeks to integrate climate throughout development efforts, with a focus on greenhouse gas reduction and successful adaptation. The plan commits us to 35 percent of Bank Group financing having climate co-benefits over the next five years; 50 percent of IBRD and IDA climate financing will support adaptation and resilience. We will align all World Bank financing with the goals of the Paris Agreement starting on July 1, 2023. For IFC and MIGA, 85 percent of Board-approved real sector operations will be aligned starting July 1, 2023, and 100 percent starting July 1, 2025. We will support countries' preparation and implementation of Nationally Determined Contributions and long-term strategies; these, in turn, will inform our Country Partnership Frameworks. And we will support countries' transition away from coal to affordable, reliable, and cleaner alternatives for electricity. Our efforts will help countries grow their economies while reducing emissions, adapting to climate change, building resilience, and protecting natural resources, including biodiversity.

In fiscal 2021, IBRD committed \$30.5 billion to client countries, and IDA committed \$36.0 billion on grant and highly concessional terms to the poorest countries. I welcomed the G20's endorsement of advancing IDA's 20th replenishment cycle to 2021, which will provide the poorest countries with more resources to overcome the crisis and work toward recovery. I am also pleased that, after nearly three decades, Sudan cleared its arrears to IDA in March, enabling full reengagement with the Bank Group and paving the way for the country to access nearly \$2 billion in IDA financing.

IFC delivered a strong fiscal performance, reaching a record high of \$31.5 billion in financing, including \$23.3 billion in long-term finance and \$8.2 billion in short-term finance. IFC also scaled up its short-term financing offerings and kept trade flowing. With COVID-19 severely impacting private enterprises across emerging markets, IFC provided critical support through liquidity and trade financing, allowing companies to remain in operation, preserving jobs, and enabling long-term private sector intervention once pandemic impacts subside. We are accelerating the execution of the IFC 3.0 strategy to create more investible projects in places where they are needed most, particularly in IDA and FCS markets, and build a pipeline of investments in a post-pandemic world.

In February, I was pleased to announce the appointment of Makhtar Diop as IFC's Managing Director and Executive Vice President. His leadership and experience will enable the World Bank Group to build on the unprecedented speed and scale of our response to the global crisis and support vital recovery efforts through the private sector.

MIGA issued \$5.2 billion in guarantees to help countries achieve their development goals. These efforts are expected to provide 784,000 people with new or better electricity service, support about 14,600 jobs, generate over \$362 million in taxes for countries, and enable about \$1.3 billion in loans, including to local businesses. MIGA continued to make progress across its strategic priority areas, with 85 percent of its projects in fiscal 2021 dedicated to climate mitigation and adaptation, projects in fragile and conflict-affected settings, and IDA countries.

As part of our ongoing commitment to fight racism and racial discrimination in our workplaces and our work, our senior management and I welcomed 80 recommendations submitted in fiscal 2021 by the Bank Group's Task Force on Racism. The first set of 10 foundational recommendations are already being implemented, and more are under review. I am grateful to all those who have come forward to engage on this important topic as we continue to work for tangible, meaningful, and long-lasting change.

Over the past year, our staff have gone above and beyond to support our clients, even as we transitioned to home-based work and coped with the pandemic's impact on our own lives, families, and communities. They have ensured the highest quality standards even as we stepped up our support to clients. I am grateful for this commitment to our mission, and I look forward to welcoming staff back to our offices as circumstances permit.

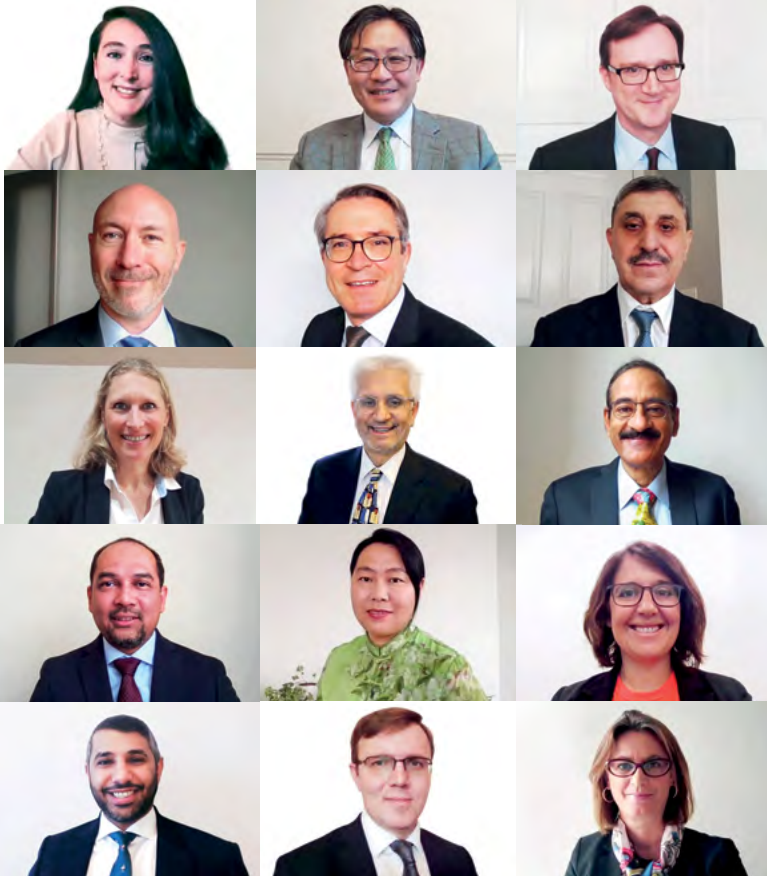
There is no path to sustainable, long-term growth without continuous progress in reducing poverty and inequality. With the dedication of our staff, the support of our partners, and our relationships with countries, I am confident that we will help countries overcome this crisis and return to the path of inclusive, sustainable growth.

A handwritten signature in black ink that reads "David Malpass". The signature is written in a cursive, flowing style.

David Malpass
President of the World Bank Group
and Chairman of the Board of Executive Directors



Message from the MIGA Board of Directors



Evangelia Bouzis, United States; Takashi Miyahara, Japan; Richard Hugh Montgomery, United Kingdom; Arnaud Buissé, France; Gunther Beger, Germany; Abdelhak Bedjaoui, Algeria; Louise Levonian, Canada; Monica E. Medina, Peru; Nigel Ray, Australia; Nathalie Francken, Belgium; Merza Hussain Hasan, Kuwait (Dean); Rajesh Khullar, India; Alphonse Ibi Kouagou, Benin; Taufila Nyamadzabo, Botswana; Abraham Weintraub, Brazil; Mohd Hassan Ahmad, Malaysia; Junhong Chang, China; Eva Valle Maestro, Spain; Koen Davidse, The Netherlands (Co-Dean); Geir H. Haarde, Iceland; Matteo Bugamelli, Italy; Abdulmuhsen Saad Alkhalaf, Saudi Arabia; Roman Marshavin, Russian Federation; Katarzyna Zajdel-Kurowska, Poland; Armando Manuel, Angola

The past year has been immensely challenging around the world—especially for developing countries—as the COVID-19 pandemic reversed decades of progress in ending extreme poverty, achieving shared prosperity, and reducing inequality. The World Bank Group responded swiftly and extensively to the health, economic, and social impacts of the crisis to help spur recovery. But more needs to be done to address the needs of the marginalized and those who live in the poorest areas. The Board discussed and approved several important initiatives and programs in support both of countries’ immediate needs and of long-term development goals.

Vaccines

We have made key and timely decisions on proposals by Bank Group management to respond to the pandemic and finance vaccination efforts, including mechanisms for prompt delivery. The Bank Group is partnering with WHO, COVAX, UNICEF, and others, including private manufacturers, to help facilitate transparent, affordable, and fair access to vaccines for developing countries and to continue strengthening global preparedness for future pandemics.

Assisting the poor

To help start the process of recovery, the Bank Group registered a historic increase in the delivery of lending for projects and initiatives to assist low- and middle-income countries, including small states, in tackling multifaceted challenges, safeguarding human capital, and providing social safety nets to target their most vulnerable people.

Given the immense financing needs, we agreed to bring forward the IDA20 replenishment process, which we expect will be completed by December 2021. At the 2021 Spring Meetings, the Development Committee also asked the Bank to scale up its work to address rising levels of food insecurity and to support countries in achieving SDG 2, and nutrition for all, along with other partners.

Green, resilient, and inclusive development

The Bank Group continues to support countries in achieving the twin goals of ending extreme poverty and boosting shared prosperity. In responding to the COVID-19 crisis, the Bank Group has an opportunity to help low- and middle-income countries build the foundations for a strong and durable recovery based on a framework that we discussed, which supports green, resilient, and inclusive development. We believe that this, in turn, can help address the longer-term challenge of climate change.

Climate

We hope that the ambitious new targets for climate financing outlined in the Climate Change Action Plan 2021–25 and the alignment of the Bank Group’s financing with the Paris agreement—complemented by the approach to green, resilient, and inclusive development and efforts to build long-term resilience for food security—will help deliver on the twin goals and the Sustainable Development Goals.

Knowledge framework

We welcomed the discussion of the new Strategic Framework for Knowledge, which strives to better integrate knowledge into solutions for clients and the global community. We look forward to implementation of this framework, which will strengthen the Bank Group’s role as a source of solutions.

Debt

As countries face increasing debt burdens, our Governors, together with the IMF, have given the Bank Group a mandate to address fiscal and debt distress in IDA countries in a way that supports green, resilient, and inclusive development and poverty reduction. We are hopeful that the G20 Common Framework, along with extension of the Debt Service Suspension Initiative to the end of 2021, will allow beneficiary countries to dedicate more resources to tackling the crisis, investing in health care and education, promoting growth, and improving their long-term approaches on debt.

Private sector

Recognizing growing credit constraints, the private sector is a critical player in helping client countries attain their development goals, create and develop markets, mobilize resources, and respond to COVID-19, including through IFC’s Global Health Platform and MIGA’s response programs. We expect the Bank Group to keep building partnerships across a common strategic framework to help generate private sector solutions that address development challenges.

Racial justice

There were important efforts this year to address racial injustice within the Bank Group and with our clients, including a set of recommendations put forth by the End Racism Task Force to fight racism and racial discrimination. We look forward to implementation of these recommendations through an action plan that will reaffirm this institutional value, which is embedded in the Bank Group’s Code of Ethics.

Accountability mechanisms

We also reaffirmed the importance of accountability mechanisms for people and communities who believe that they have been, or are likely to be, adversely affected by Bank Group projects and investments. We have approved enhancements to the Bank Group’s social and environmental accountability framework, including changes to the World Bank Inspection Panel’s toolkit and to the reporting line of the Compliance Advisor Ombudsman for IFC and MIGA.

Leadership, staff, and return to office

November 2020 marked the transition to a new term for the Board of Executive Directors, and in February we welcomed Makhtar Diop as IFC Managing Director and Executive Vice President.

We look forward to the widespread availability of COVID-19 vaccines across the globe, the safe return of the Bank Group’s staff to the office, and the overall return to a new normal. Our utmost appreciation goes to the staff for their ongoing dedication to the Bank Group’s mission and their perseverance and hard work over the past year, despite the immense and sudden change in their working environments.

The World Bank Group remains ready to help our clients on the path to recovery. We hope that the new fiscal year brings good health and strong development outcomes for all.

Message from Hiroshi Matano

Executive Vice President



A year-and-a-half into the global COVID-19 pandemic, we have accomplished much – and much remains to be done.

As the World Bank Group charts a path for green, resilient, and inclusive development, MIGA has been focusing on its ongoing response to the pandemic along with the other challenge of our time: climate change.

At the time of writing this message, the coronavirus has infected over 220 million people. Concurrently, global CO2 emissions continue unabated, and infrastructure in developing countries is particularly vulnerable to extreme weather events.

During the pandemic, global investors in FY21 held back and turned inward to domestic markets, which was reflected in the dramatic drop in 2020 of global foreign direct investment (FDI) flows by some 42 percent. As we begin to see recovery in advanced economies, MIGA is working on bringing investment back, and doubling down on supporting the World Bank Group's mission of ending extreme poverty and boosting shared prosperity in *a sustainable way*.

MIGA's role amid the pandemic is to encourage private investors to stay the course and offer greater stability by helping manage and mitigate country risks. Working with our clients and partners, we mobilized US\$5.5 billion in financing (from private and public sources) through issuances of nearly US\$5.2 billion in guarantees to cross-border private investors in FY21 (\$7.6 billion since April 2020). A quarter of our guarantees supported projects in IDA (lower-income) countries and fragile situations, and 26 percent of our issuances contributed to climate change adaptation or mitigation. As a result, our issuances in FY21 are expected to help provide access to power to some 784,000 people, support nearly 14,600 jobs and enable US\$1.3 billion in loans, including to small and medium enterprises (SMEs) and climate-related activities.

We kept investors engaged by devising innovative uses of our products—and with the help of the Board, streamlining project approval procedures.

We applied our unique approach to capital optimization on voluntary cash reserves, and issued our first-ever support for mini- and off-grid solutions in Africa.

We also used our credit enhancement product to get financial institutions to support countries that could take on nonconcessional borrowing. Through projects like Banco Nacional de Panamá, we helped financial institutions—in this case, Goldman Sachs Group Inc.—secure affordable financing from institutional investors. We also ventured into new territory by supporting the upgrading of two public hospitals in The Bahamas.

Following interest expressed by governments and investors, MIGA put together its first crisis response guarantee package. With the help of our Board, we expedited approval processes, instituting a fast-track COVID-19 Response Program that allowed for projects to go from early screening to Board approval in 51 days, compared with 129 days for regular COVID-19 response projects.

In addition to speed, we supported governments by encouraging our clients, when feasible, to provide leeway on payments. This type of collaboration was critical for protecting some of the most vulnerable in our member countries from the worst financial blows of the pandemic.

The US\$6.5 billion COVID-19 Response Program we launched in April 2020 proved fit for purpose, leading to the issuance of US\$5.6 billion in guarantees for COVID-19 projects and an anticipated expansion of the program to US\$10–12 billion over the coming years. The program truly has been a testament to the countercyclical role that MIGA can play in mobilizing private investment in the face of global crises.

While we helped deliver results on the ground during the pandemic, we also took important steps in FY21 that position us to help address global challenges in the coming years. We secured Board approval for Trade Finance guarantees—our first entirely new product line since 2010, when we launched our Non-Honoring of Financial Obligations product.

We also contributed to the launch of the World Bank Group's second Climate Change Action Plan (2021–25), issuing US\$1.36 billion of guarantees—or 26 percent of our FY21 issuance—in support of climate change mitigation or adaptation. Going forward, 85 percent of MIGA's Board-approved real sector operations will be aligned with the Paris Agreement by July 1, 2023, reaching 100 percent by 2025. To get there, we will hire more climate experts and help build client capacity on climate opportunities and vulnerabilities. Reflecting the importance with which MIGA views the climate challenge, I am pleased to

be sharing for the first time MIGA's climate-related disclosures, in accordance with the specifications of the Task Force on Climate-related Financial Disclosures (TCFD) (see Annex 1).

I am also appreciative that MIGA, working closely with the IFC and the Compliance Advisor Ombudsman (CAO), was able this year to help develop and garner Board approval for a robust and comprehensive new IFC/MIGA Independent Accountability Mechanism Policy that further extends our leadership in environmental and social sustainability.

Moreover, project finance is trickling back, although differently than before the pandemic. Many investors who had cash flow issues during the pandemic are selling assets in emerging markets, and new investors are acquiring these assets rather than building greenfield projects. We are seeing increasing demand for political risk insurance for acquisitions and brownfield investments.

For example, we signed a project in FY21 with Kasada, a billion-dollar private equity fund that is acquiring and upgrading 20 hotels in Sub-Saharan Africa and support-

ing jobs in an industry badly hit by COVID-19. Similarly, new investors are coming into the power sector to acquire existing projects and then upgrade plants and machinery.

Although we are living through challenging times, I am heartened that, working with our clients, we are helping individuals weather the pandemic. I remain optimistic that we will stay the course on meeting the World Bank Group's mission.

I am particularly proud of our staff, who came together under difficult circumstances to meet the challenge. I thank our clients and Board, who have remained steadfast partners and helped us deliver results through the pandemic.

While the challenges ahead are many, we have the capacity to tackle them head-on. I am confident that the building blocks we are putting together now, will help us to not only recover from the pandemic but also to take on the other key challenges of our time—including, most immediately, climate change.



Hiroshi Matano
Executive Vice President
Multilateral Investment Guarantee Agency

Our issuances in FY21 are expected to help provide access to power to some 784,000 people, support nearly 14,600 jobs and enable US\$1.3 billion in loans, including to small and medium enterprises (SMEs) and climate-related activities.

The Institutions of the World Bank Group

The World Bank Group is one of the world's largest sources of financing and knowledge for developing countries. It consists of five institutions with a shared commitment to reducing poverty, increasing shared prosperity, and promoting sustainable growth and development.

IBRD

International Bank for Reconstruction and Development (IBRD) lends to governments of middle-income and creditworthy low-income countries.

ICSID

International Centre for Settlement of Investment Disputes (ICSID) provides international facilities for conciliation and arbitration of investment disputes.

IDA

International Development Association (IDA) provides financing on highly concessional terms to governments of the poorest countries.

MIGA

Multilateral Investment Guarantee Agency (MIGA) provides political risk insurance and credit enhancement to investors and lenders to facilitate foreign direct investment in emerging economies.

IFC

International Finance Corporation (IFC) provides loans, equity, advisory services, and mobilizes additional capital from other sources to stimulate private sector investment in developing countries.



WORLD BANK GROUP

World Bank Group Financing for Partner Countries

World Bank Group Commitments, Disbursements, and Gross Issuance

By fiscal year, millions of dollars	2017	2018	2019	2020	2021
World Bank Group					
Commitments ^a	68,274	74,265	68,105	83,574	98,830
Disbursements ^b	43,853	45,724	49,395	54,367	60,596
IBRD					
Commitments ^c	22,611	23,002	23,191	27,976	30,523
Disbursements	17,861	17,389	20,182	20,238	23,691
IDA					
Commitments ^c	19,513 ^d	24,010 ^e	21,932 ^e	30,365 ^e	36,028^e
Disbursements	12,718 ^d	14,383	17,549	21,179 ^e	22,921^e
IFC					
Commitments ^f	18,345	19,027	14,684	17,604	20,669
Disbursements	10,355	11,149	9,074	10,518	11,438
MIGA					
Gross Issuance	4,842	5,251	5,548	3,961	5,199
Recipient-Executed Trust Fund					
Commitments	2,962	2,976	2,749	3,641	6,411
Disbursements	2,919	2,803	2,590	2,433	2,546

a. Includes IBRD, IDA, IFC, Recipient-Executed Trust Fund (RETF) commitments, and MIGA gross issuance. RETF commitments include all recipient-executed grants, and therefore total WBG commitments differ from the amount reported in the WBG Corporate Scorecard, which includes only a subset of trust funded activities.

b. Includes IBRD, IDA, IFC, and RETF disbursements.

c. Amounts are net of full terminations and cancellations approved in the same fiscal year.

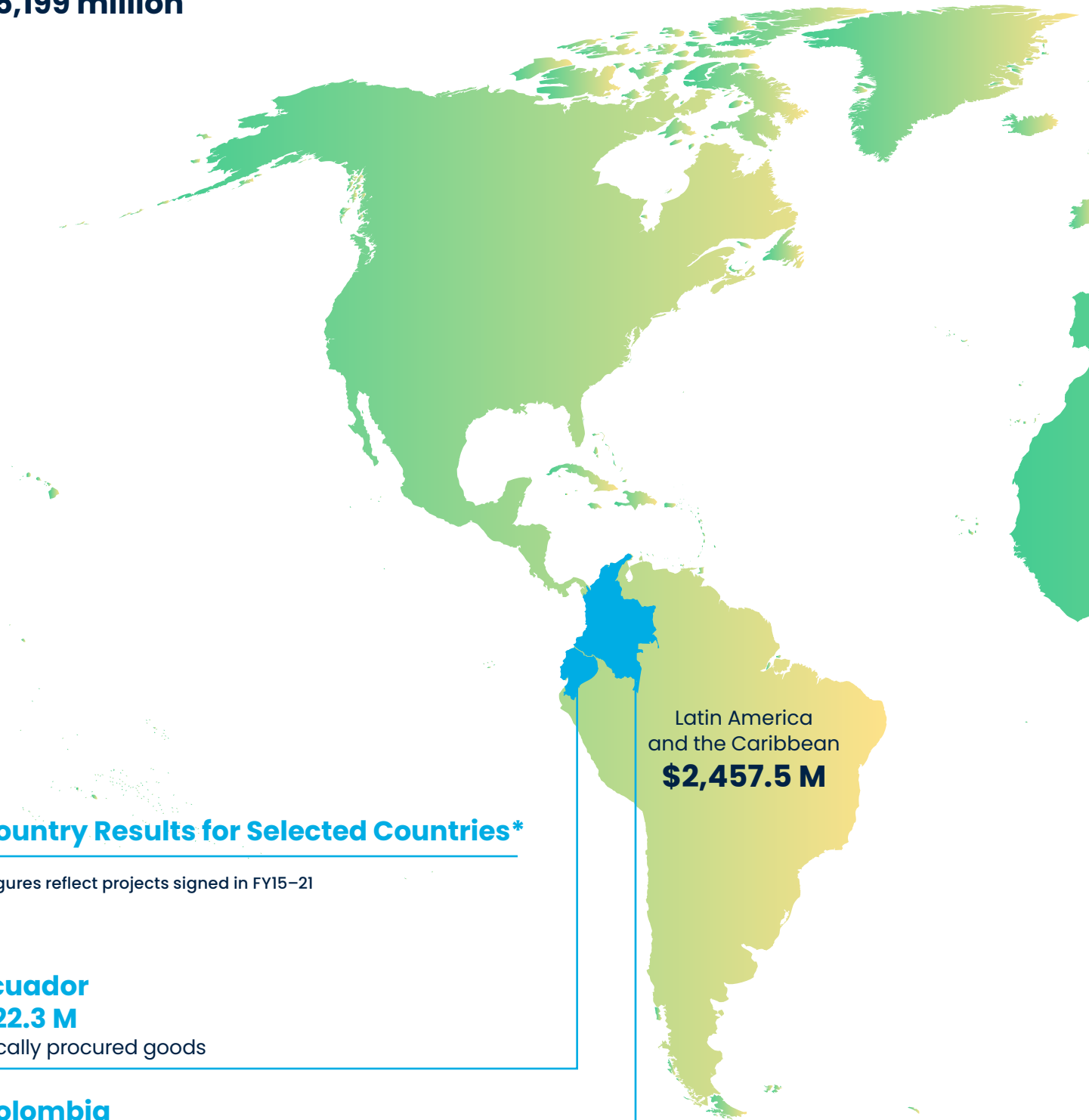
d. Figures include the commitment and disbursement of a \$50 million grant for the Pandemic Emergency Financing Facility.

e. Commitments and disbursements exclude IFC-MIGA Private Sector Window (PSW) activities.

f. Includes long-term commitments for IFC's own account and short-term finance commitments. Does not include funds mobilized from other investors.

MIGA's Global Reach and Country Results

**FY21 Gross Issuance:
\$5,199 million**



Latin America
and the Caribbean
\$2,457.5 M

Country Results for Selected Countries*

*Figures reflect projects signed in FY15–21

Ecuador

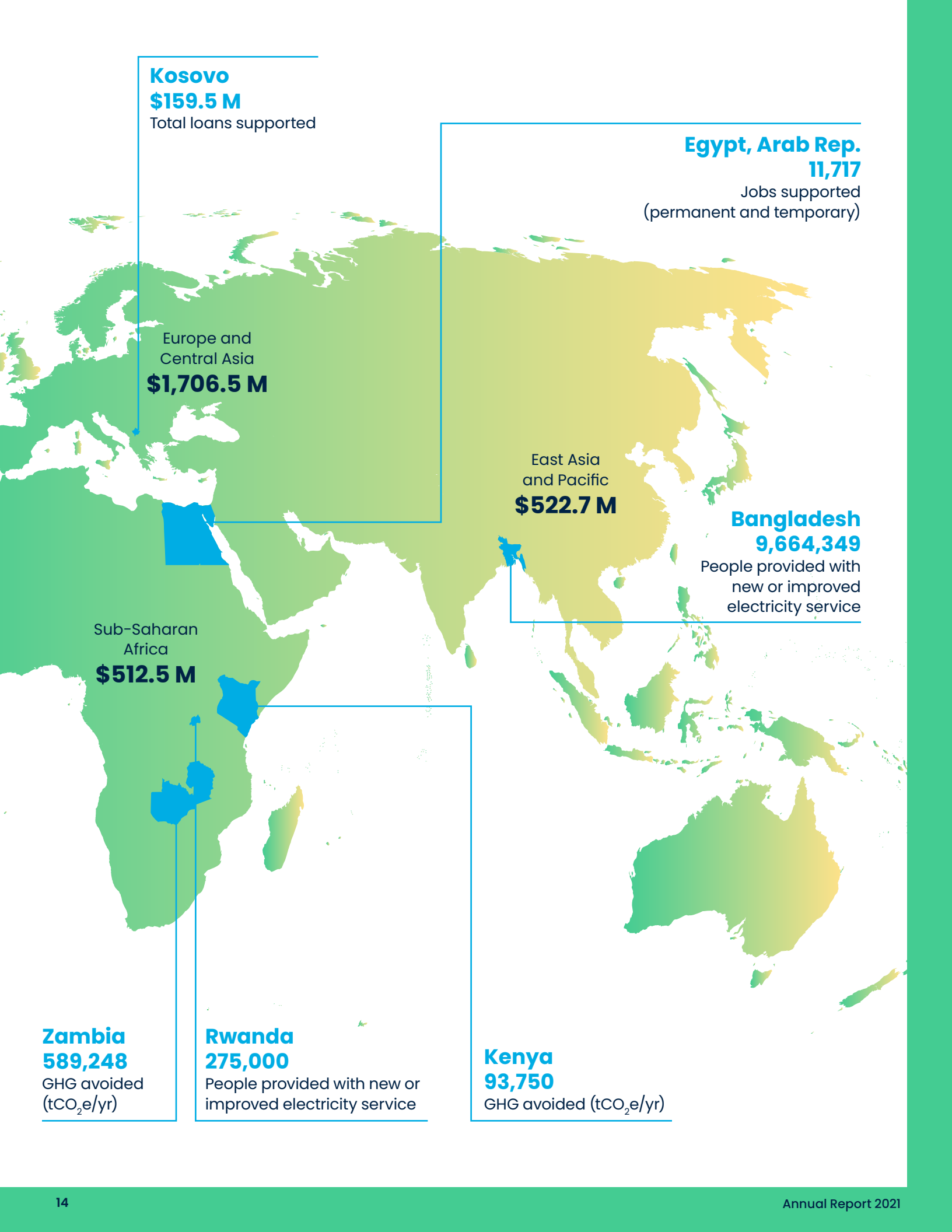
\$22.3 M

Locally procured goods

Colombia

\$180.5 M

Taxes and fees



Kosovo

\$159.5 M

Total loans supported

Egypt, Arab Rep.

11,717

Jobs supported
(permanent and temporary)

Europe and
Central Asia

\$1,706.5 M

East Asia
and Pacific
\$522.7 M

Bangladesh

9,664,349

People provided with
new or improved
electricity service

Sub-Saharan
Africa

\$512.5 M

Zambia

589,248

GHG avoided
(tCO₂e/yr)

Rwanda

275,000

People provided with new or
improved electricity service

Kenya

93,750

GHG avoided (tCO₂e/yr)

MIGA'S Expected Development Results from Projects Signed in FY21





14,597

Total employment supported
(permanent + temporary)



\$54 Million

Locally procured goods per year



\$362 Million

Taxes and fees paid per year
to host governments



1,580 MW

Power - installed capacity



11,671 GWhs

Expanded power generation
per year



784,000

People provided with new
or improved electricity service



306,027

GHG emissions avoided (tCO₂e/year)



\$1.3 Billion

Volume of loans supported



\$5.5 Billion

Private financing mobilized

MIGA's COVID-19 Response Program

The COVID-19 pandemic continues to inflict high and rising human and economic costs worldwide. The impact of the crisis on emerging markets and developing economies (EMDEs) is expected to be particularly severe. The World Bank Group's most recent *Global Economic Prospects* report projects that while growth for advanced economies is expected to reach 5.4 percent this year—the fastest in nearly five decades—recovery among EMDEs will be more subdued. Gains in this group of economies will not be sufficient to recoup losses incurred in 2020.

The COVID-19 pandemic has also worsened an ongoing decline of FDI in all EMDEs. The crisis is presenting a new, unprecedented source of investor risk that is depressing business confidence to historic lows. Global FDI fell by 42 percent in 2020, from US\$1.5 trillion in 2019 to an estimated US\$859 billion—the lowest level since the 1990s.

MIGA launched its COVID-19 Response Program, a US\$6.5 billion facility, in April 2020 to respond to these unprecedented challenges. It consists of three stages: (1) the first response, to address the immediate needs of the public and financial sectors; (2) a recovery phase, to support the restoration of economic activity in the real sectors and private enterprise in the short and medium term; and (3) long-term resilience, to support investment across the public and private sectors.

As of June 30, 2021, the agency has issued guarantees totaling US\$5.6 billion in support of 38 projects across Latin America, Sub-Saharan Africa, East Asia and the Pacific, and Europe and Central Asia. All of these projects have been highly impactful, helping host countries to bolster their medical response to the COVID-19 crisis and helping governments and private sector clients to mitigate the economic impact of the crisis by providing working capital support to micro, small, and medium enterprises (MSMEs), corporates, and individuals.

In June 2021, MIGA's Board unanimously approved the extension of the COVID-19 Response Program by two years—from June 30, 2021, to June 30, 2023—and its expansion from US\$6.5 billion to an indicative amount of US\$10–12 billion. This additional capacity allows the agency to expand the use of guarantees to support relief, recovery, and ultimately resilience in developing countries.

The World Bank Group's Support for Countries during the COVID-19 Crisis

The World Bank Group has mounted a broad and decisive response to the pandemic—the largest in our history. From April 2020 through the end of fiscal 2021, Bank Group financing totaled over US\$157 billion. The scale of this response reflects the Bank Group's strong financial position, underpinned by the 2018 IBRD and IFC General Capital Increases and the IDA19 Replenishment. It includes:

US\$45.6 billion

in financing from IBRD for middle-income countries

US\$53.3 billion

of IDA resources on grant and highly concessional terms for the poorest countries, with built-in debt relief for countries at risk of debt distress

US\$42.7 billion¹

from IFC to private companies and financial institutions

US\$7.6 billion

in guarantees from MIGA to support private sector investors and lenders

US\$7.9 billion

from recipient-executed trust funds.

¹ Includes long-term commitments from IFC's own account, short-term finance commitments, and core mobilization.

MIGA's COVID-19 Response Program – Pillars



1 Procuring Urgent COVID-19 Medical Supplies and Services

Supporting host governments in purchasing needed medical goods and services (for example, COVID-19 testing kits, hospital gowns, masks, ventilators, and medicines)



2 Countering Adverse Economic Impacts during the COVID-19 Crisis

Credit enhancement program

Supporting governments at eligible sovereign, sub-sovereign, or state-owned enterprise levels to provide short-term funding and working capital support to SMEs, corporates, and individuals during the crisis

Capital optimization

Supporting financial institutions in extending lending in host countries by freeing up risk-weighted assets locked up in maintaining their mandatory reserves with central banks



3 Complementing IFC Trade Finance

Supporting trade finance to enhance the flow of goods and services through global supply chains, including for critically needed commodities, especially in IDA-eligible countries and fragile and conflict-affected situations (FCS)

MIGA's COVID-19 Response Program—Projects, FY21



Albania, Bosnia and Herzegovina, Georgia, Kosovo, Moldova, North Macedonia, Serbia, Ukraine

ProCredit

MIGA is backing ProCredit's investments in its subsidiaries in Albania, Bosnia and Herzegovina, Georgia, Kosovo, Moldova, North Macedonia, Serbia, and Ukraine at a time of economic stress and uncertainty due to the COVID-19 pandemic. Lending supported by MIGA's guarantees will be directed at SMEs, which are key drivers of growth and jobs in these countries. Of the freed-up capital, 100 percent will be allocated by the subsidiaries toward climate finance lending, a core competence of ProCredit.



The Bahamas

Bahamas Public Hospitals Authority (PHA) and Small Business Development Center (SBDC)

MIGA-supported investments will help modernize The Bahamas' public health system and support MSMEs at a crucial juncture for the country. The US\$119 million in guarantees to Banco Santander AG will help the Bahamas Ministry of Finance upgrade two public hospitals, procure medical equipment, and fund its project management costs. In addition, the project will support loan guarantees to MSMEs to preserve jobs, improve productivity, stimulate economic activity, and promote resilience.



Albania, Belarus, Bosnia and Herzegovina, Kosovo, Serbia

Raiffeisen Bank International (RBI)

MIGA has issued guarantees to RBI aimed at reducing the risk-weighted assets at the consolidated group level and supporting its lending operations in countries severely affected by the pandemic. MIGA's engagement will support a greener recovery by helping the group to establish processes and a framework for climate finance lending. Of MIGA's coverage, 10 percent will be provided to RBI's subsidiary in Kosovo (an IDA and FCS country), and 12 percent of the freed-up capital will be allocated to climate finance lending by the subsidiaries.



Indonesia

PT Perusahaan Listrik Negara (PLN/Persero)

A MIGA-covered loan facility will provide liquidity to fund PLN's working capital for tariff payments under the power purchase agreements to procure electricity from seven renewable energy subprojects. Support from MIGA will help to sustain these projects during the crisis and protect them during the consequent financial stress.



Panama

Banco Nacional de Panamá (BNP)

MIGA issued guarantees covering loan facilities totaling US\$510 million from Goldman Sachs Group Inc. and other international lenders to BNP. The MIGA-guaranteed loans will be used to finance a US\$1 billion trust fund established by the Ministry of Economy and Finance and BNP to provide emergency liquidity to the Panamanian economy and help the country mitigate the effects of the COVID-19 pandemic.



Mexico

Bancomext

MIGA-covered loan facilities to Bancomext support the government of Mexico's COVID-19 response by providing working capital loans to export-oriented businesses in the tourism, services, automotive, and logistics sectors, among others. Such liquidity is intended to provide much-needed support to reduce the impact of the crisis, helping to preserve employment, supply chains, and potentially solvency.



Peru

Banco Santander Peru S.A.

MIGA's guarantees are reducing the regulatory risk-weighting applied to Santander Group's mandatory reserves at the consolidated level, freeing up capital for its subsidiary in Peru. The entirety of the benefits resulting from this increase are expected to target projects related to climate finance activities and are intended to support a green recovery following the devastating impacts of the COVID-19 crisis. Climate finance will include lending to businesses in the field of renewable energy, energy efficiency, and mass urban transport transactions.



Paraguay

Banco Nacional de Fomento (BNF)

In December 2020, MIGA issued guarantees of up to US\$101 million to Citibank NA and Commerzbank AG for their loans to Banco Nacional de Fomento (BNF) of Paraguay. The guarantees support BNF's efforts to stem the impacts of the COVID-19 pandemic on Paraguay's export-oriented sectors, which represent over 35 percent of the country's gross domestic product (GDP). The guarantees are also helping BNF secure its first USD funding from international financial markets and will strengthen its efforts to provide credit support to a wide range of sectors in Paraguay while delivering strong development impact.

Highlighted Projects

A Closer Look at
MIGA Projects in FY21





Growing the Off-Grid Solar Market in Central and East Africa

Off-grid solar is among the most promising technologies that can help increase access to electricity in rural areas where grid-connected power is scarce. To stimulate the growth of the market, MIGA issued guarantees to cover investments in an innovative company, Bboxx, helping it expand its operations in the Democratic Republic of Congo, Kenya, and Rwanda. Bboxx is a next-generation utility that designs, manufactures, distributes, and finances decentralized solar-powered systems across Africa. The project will increase access to affordable, reliable clean energy; spur local economic activity; reduce greenhouse gas emissions; and help create high-quality jobs.

Bboxx is a next-generation utility that designs, manufactures, distributes, and finances decentralized solar-powered systems across Africa.



Supporting the First Round of Solar Independent Power Producers (IPPs) in Burkina Faso

With one of the lowest electrification rates in Sub-Saharan Africa (20 percent, compared with 48 percent for the region overall) and a high level of unmet demand, Burkina Faso is striving to address its energy access challenges and enhance its energy security. The country currently has 357 MW of installed capacity, mostly from aging and expensive heavy fuel oil (HFO) generation, and is using imports from Côte d'Ivoire and Ghana to serve base demand. MIGA has stepped in to provide guarantees for a project comprising the construction, ownership, operation, and maintenance of a solar photovoltaic (PV) energy-generating facility that would add 30 MW of capacity. The project will be part of the country's first round of solar IPPs and will support the country's transition to renewable energy while boosting private sector confidence to invest in Burkina Faso.

Upgrading Public Hospitals in The Bahamas

Hurricane Dorian in 2019, followed by the COVID-19 pandemic, exerted dual pressures on the public hospital facilities in The Bahamas, triggering chronic bed shortages, lengthening wait times for patients, and limiting access to appropriate diagnostic tools. In response, MIGA issued guarantees for US\$118.56 million to Banco Santander S.A. of Spain for its loans to the Ministry of Finance of the Commonwealth of The Bahamas. Proceeds from the MIGA-guaranteed loan will support (a) the Public Hospitals Authority's modernization of the public health system to respond to COVID-19 and build post-pandemic resilience; and (b) MSMEs hit hard by the pandemic.



Increasing Lending for Small Businesses across Eastern Europe

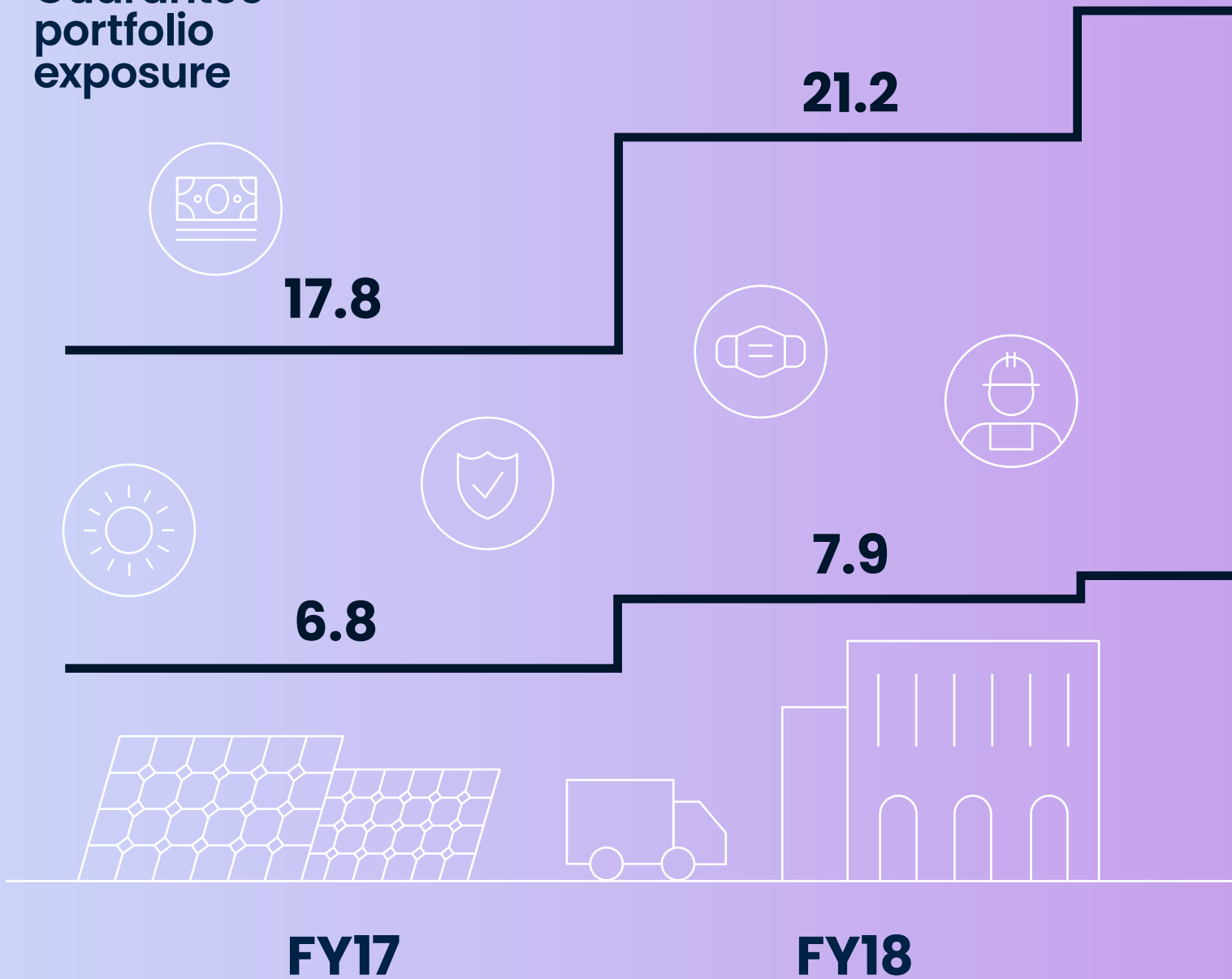
MIGA guarantees are providing capital relief to the ProCredit Group, a key SME-focused lending institution in Eastern Europe. The guarantees help the bank to increase its lending capacity at a time of economic stress and uncertainty due to the COVID-19 pandemic into its subsidiaries in Albania, Bosnia and Herzegovina, Georgia, Kosovo, Moldova, North Macedonia, Serbia, and Ukraine. This lending is directed at SMEs, which are key drivers of growth and jobs in the region. In addition, 100 percent of the freed-up capital is allocated by the subsidiaries toward climate finance lending, a core competency of ProCredit.

Supporting the Tourism and Hospitality Sector in Sub-Saharan Africa

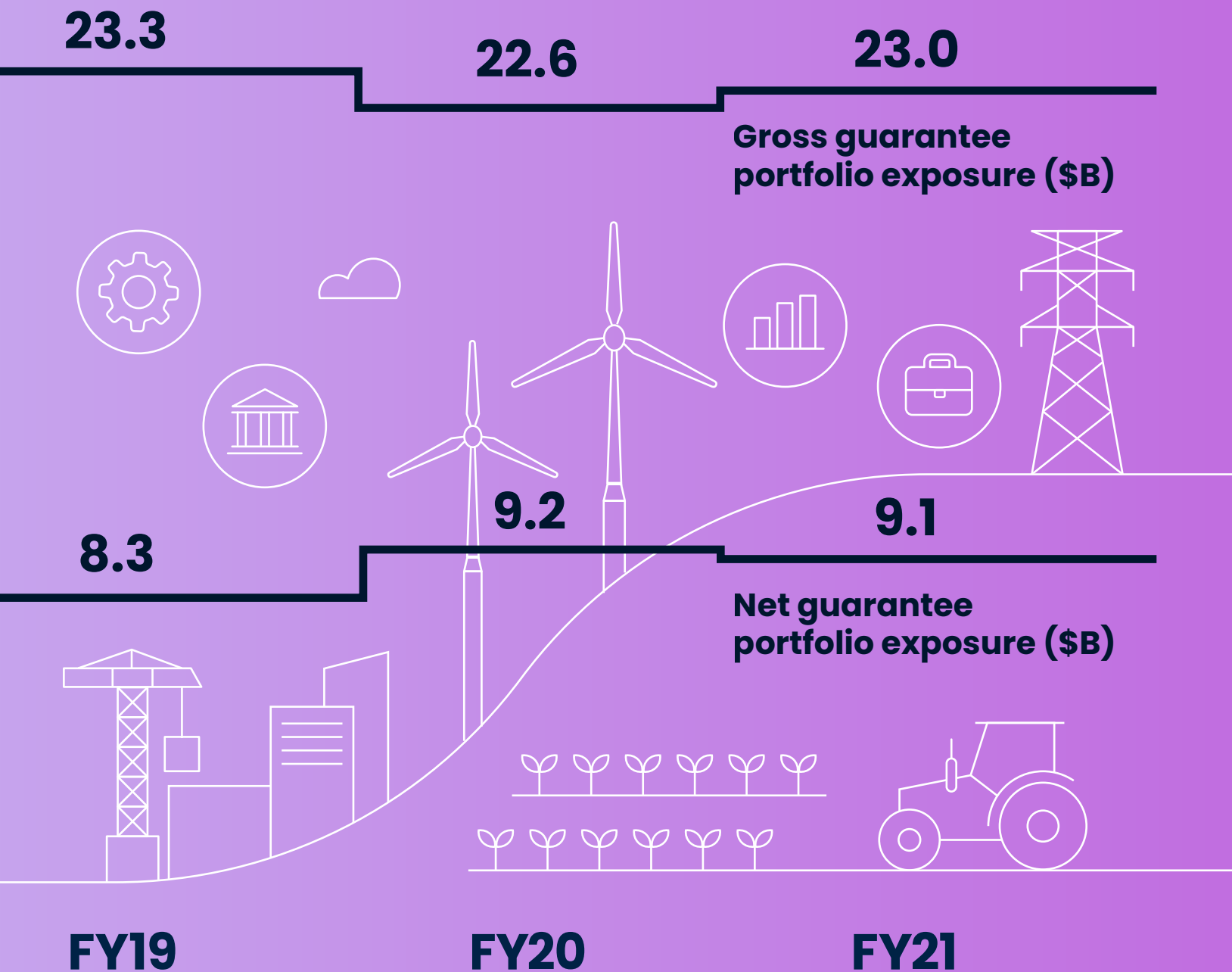
The tourism and hospitality sectors in Sub-Saharan Africa have faced significant disruption from the global COVID-19 pandemic, leading to considerable unemployment, business closures, and the suppression of local economic growth. In June 2021, MIGA signed a Master Contract of Guarantee with Kasada Hospitality Fund LP (Kasada) for its existing and future equity, quasi-equity, and/or shareholder loans for brownfield and greenfield hotel projects in up to 10 Sub-Saharan African countries: Cameroon, Côte d'Ivoire, Ethiopia, Ghana, Kenya, Namibia, Nigeria, Rwanda, Senegal, and Uganda. The project is expected to create 13,000 to 27,000 direct jobs, with spillover into indirect and induced job creation in the tourism supply chain. As well, it will help direct capital to a sector that has been severely affected by the pandemic.

Business and Operational Review

Guarantee portfolio exposure



Against the backdrop of the COVID-19 pandemic and declining FDI, MIGA continued to mobilize private investment into developing economies and increased its gross outstanding guarantee portfolio from the prior fiscal year. In FY21, the agency issued US\$5.2 billion in new guarantees in support of 40 projects. Twenty-five percent of the gross issuance was in IDA and/or FCS countries, and 26 percent was in projects that support climate finance. MIGA's gross outstanding exposure stands at US\$23 billion and net exposure at US\$9.1 billion.



Priority Areas



Strategic Priority Areas



1

Increasing engagement in IDA/FCS countries



2

Increasing its support for projects that address climate change

IDA and FCS

IDA (low-income) countries and fragile and conflict-affected situations (FCS) continue to be severely affected by the COVID-19 pandemic. In FCS, in particular, COVID-19 threatens to reverse hard-won advancements in poverty reduction and development. Estimates show that an additional 20 million people in FCS were pushed into extreme poverty as a result of COVID-19. By 2022, the GDP in FCS is predicted to be 8.6 percent below prepandemic levels.

Before and throughout the crisis, MIGA has continued to support projects in IDA countries and FCS. In FY21, 50 percent of all projects were in IDA countries or FCS. Guarantees totaling US\$1.3 billion were issued to support projects in IDA-eligible countries, and guarantees totaling US\$187 million backed investments in IDA countries affected by fragility, conflict, and violence, such as Cameroon, the Democratic Republic of Congo, Kosovo, and Liberia.

MIGA leverages the IDA Private Sector Window (PSW) to further expand operations into IDA-eligible countries, many of which are FCS. In FY21, MIGA issued eight IDA PSW-supported guarantees in Burkina Faso, the Democratic Republic of Congo, Ethiopia, Liberia, Myanmar, Rwanda, and Sierra Leone for a total of US\$131 million, of which US\$40 million was ceded to IDA using a shared first-loss structure.

This fiscal year, 85 percent of MIGA projects addressed one or more strategic priority areas.

In its FY21–23 strategy, MIGA set out a goal to deepen its commitment across two critical areas:

Climate Change

MIGA is leveraging the use of its guarantees to mobilize financing for projects that support climate mitigation and/or adaptation. In FY21, the agency issued US\$1.35 billion of guarantees supporting climate adaptation and mitigation projects in 22 countries across four regions, representing 26 percent of the total new business volume. Projects signed in FY21 will help avoid an estimated 306,027 tons of carbon dioxide equivalent (tCO₂e) per year. Among the notable climate projects this year are Bboxx and Escotel in Sub-Saharan Africa, which are helping expand distributed off-grid renewable energy. Combined, these projects will reduce emissions by up to 2.1 million tCO₂e over the next eight years. In addition, MIGA is helping accelerate climate lending in Eastern Europe with ProCredit and Raiffeisen Bank International and in Peru with Banco Santander. Freed-up capital from MIGA guarantees will help bank subsidiaries increase climate finance and green lending to businesses and residential clients.

To increase its climate action, the World Bank Group announced a new Climate Change Action Plan (CCAP) to guide its interventions from 2021 through 2025. The CCAP provides a bold strategic road map for tackling climate change and helping client countries to fully integrate their climate and development goals. MIGA's products have helped cross-border investors protect their long-term investments in climate mitigation and adaptation activities across diverse markets and regions. As one of the few institutions that provides long-maturity guarantees, MIGA will be instrumental in fostering the lock-in of transformational climate action.

The CCAP also sets forth MIGA's goal to align its future portfolio with the Paris Agreement: 85 percent of Board-approved real sector operations will be aligned starting July 1, 2023, and 100 percent of these starting July 1, 2025, two fiscal years later.

Innovation

Innovation makes it possible for MIGA to do more with its limited range of products, broaden its development impact, and evolve alongside a dynamic investment market in developing economies. While keeping a finger on the pulse of these markets, the agency has cultivated new innovations that will help to deliver the best possible development outcomes for countries and help its clients further their investment potential.

MIGA Trade Finance Guarantees

Global trade finance is an essential input that helps facilitate global trade—a key driver of economic growth, job creation, and poverty reduction. However, the COVID-19 pandemic has negatively exerted pressure on banks, primarily state-owned enterprise (SOE) banks, to support trade finance. This is of particular concern in developing countries and the Africa region, where SOEs play a critical role in the provision of import and export trade finance.

To address this need, MIGA partnered this year with the IFC to provide trade finance support for SOE banks. MIGA will provide trade finance guarantee capacity to the IFC for coverage against the risk of nonpayment by an SOE bank on trade finance transaction guarantees issued by the IFC under its Global Trade Finance Program (GTFP). The MIGA Trade Finance Guarantees will cover the IFC against the non-payment risk of SOE banks in IDA-eligible countries, FCS, and other low-income EMDEs.

The guarantees will help facilitate global trade as countries aim to recover from the COVID-19 pandemic. By targeting IDA, FCS, and other low-income countries, the new guarantees will support countries where trade has been negatively affected the most by the global economic shock.

Regulatory Relief

As part of its COVID-19 Response Program, MIGA continued using its capital optimization product in FY21 to provide regulatory relief to banks. Delivery of this product allowed banks to maintain lending during the challenging economic times caused by the COVID-19 pandemic. MIGA has made significant progress during the year in linking the delivery of its capital optimization product to scale-up climate finance by our client financial institutions, and further expansion of this approach is planned in the future. The agency is also looking into whether a similar product can be tailored for the needs of institutional investors and insurance companies.

Application to New Technologies

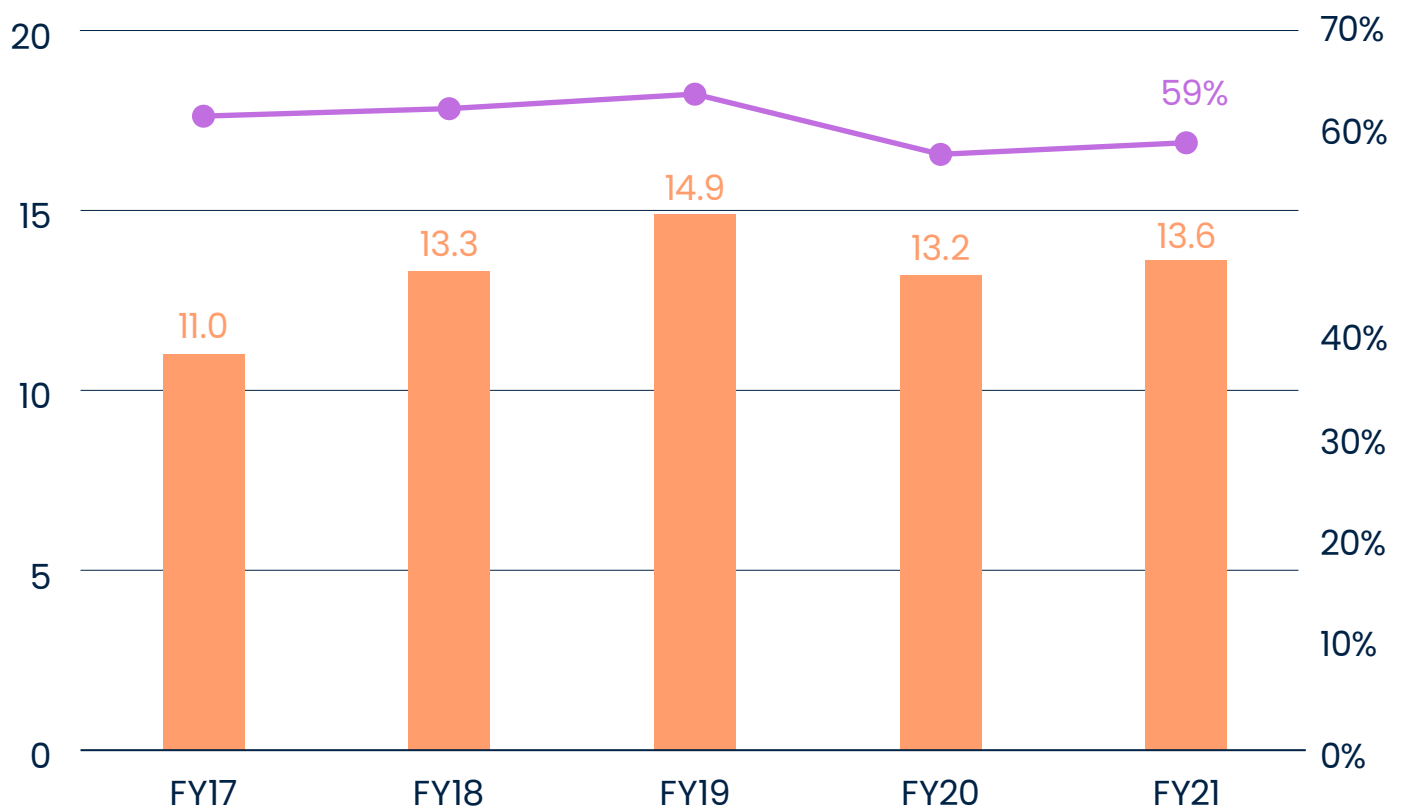
MIGA issued its first-ever support for minigrid (off-grid) solar solutions in Africa. (See *discussion of the Bboxx project in the Highlighted Projects section.*) The guarantees will help Rwanda and the Democratic Republic of Congo achieve their power access goals with distributive technologies, which offer an affordable and scalable solution for hard-to-reach populations.

Reinsurance

Since 1997, MIGA has successfully leveraged reinsurance as a tool to use its capital efficiently and manage the risk profile of its portfolio. The primary benefits of reinsurance accrue to MIGA's clients—first, to the investors, who gain access to increased capacity to insure eligible projects in developing countries; and second, to client countries that benefit from higher FDI.

The agency continued to use reinsurance capacity, ceding US\$3.5 billion of new business during FY21 to the reinsurance market in line with the strategy of preserving capital to fund future growth. As of June 30, 2021, US\$13.6 billion (59 percent) of the outstanding gross portfolio was reinsured. Over the past five years, MIGA has increased the use of reinsurance in its guarantee portfolio, allowing the agency to support its growth trajectory through increased guarantee capacity without the need for additional capital from its shareholders.

Portfolio Reinsurance (\$B) and Rate (%)



■ Outstanding reinsurance ● Portfolio reinsurance rate

Leveraging MIGA's Partnerships for Greater Development Impact

Expanding collaboration that encourages productive use of political risk insurance is essential for unlocking material private capital, which in turn contributes to achieving the Sustainable Development Goals, boosting shared prosperity, and ending extreme poverty. To this end, MIGA works to enhance coordination with international finance institutions (IFIs), industry partners, and across the World Bank Group.



Partnerships with International Finance Institutions

MIGA works with IFIs and multilateral development banks (MDBs) to leverage political risk insurance and mobilize private capital for development. In 2018, the G20 Eminent Persons Group on Global Financial Governance recommended that MIGA apply its position as a global risk insurer in development finance to work with other IFIs. Since then, the agency has taken key steps with other MDBs and IFIs to help realize these recommendations.

On December 8, MIGA hosted a global, virtual event titled "Working Together to Unlock Foreign Direct Investment (FDI)" to mark the launch of its new handbook "Expanding Political Risk Insurance: A Partnership Approach to Grow Private Investment." The event featured senior representatives from MDBs, who discussed best practices and the cooperation needed to grow private sector investment in developing countries.



Industry Partnerships

Partnering with others in insurance and development finance is essential to deliver results on the ground. MIGA serves as cochair of the Insurance Development Forum (IDF), a public-private partnership that brings together private and public insurance companies to optimize the use of insurance to build greater resilience. The agency is also a member of the Berne Union of global export credit and investment insurance providers. The Berne Union actively facilitates cross-border trade by supporting international acceptance of sound principles in export credits and foreign investments.

In addition, this year MIGA and Nippon Export and Investment Insurance (NEXI), the official export credit agency of Japan, signed a Cooperative Agreement to strengthen collaboration in support of FDI from Japanese investors in developing countries by providing coinsurance and reinsurance. The partnership builds from a 2018 memorandum of understanding (MOU) and leverages the expertise of each organization to collaborate throughout the various stages of project development, including marketing, due diligence, and underwriting for coinsurance and reinsurance opportunities.

EXPANDING POLITICAL RISK INSURANCE

A PARTNERSHIP APPROACH TO GROW PRIVATE INVESTMENT



Developed by  MIGA International Development
Investment Agency

Based on discussions at the 1st MIGA Governance Conference 2019 and the MIGA-Guatemala Partnership February 2020, with African Development Bank, Asian Development Bank, Asian Infrastructure Investment Bank, European Bank for Reconstruction and Development, European Investment Bank, Islamic Corporation for the Insurance of Investment and Export Credit, Inter-American Development Bank, and New Development Bank.

Expanding Political Risk Insurance: A Partnership Approach to Grow Private Investment offers guiding principles for systematic and effective partnerships among members of the development community. The handbook showcases project typologies that reflect successful MDB collaboration and that are replicable and scalable.



Knowledge Partnerships

MIGA and the International Law Institute (ILI), a capacity-building and technical assistance institute, signed an MOU to train stakeholders from developing countries on political risk insurance products; optimal structures for public-private partnerships requiring MIGA products; and other issues that arise in the context of political risk insurance, cross-border transactions, dispute resolution, and governance. A key component focuses on jointly developing and conducting a legal, economic, and policy capacity-building curriculum and certificate program related to political risk insurance (PRI). The collaborative effort will increase the institutional capacity of government officials, legal practitioners, private sector officers, and members of multilateral and other international development organizations.

Partnerships with external organizations serve an essential role in furthering MIGA's Gender Strategy (discussed in Gender Initiatives) and expanding the knowledge base on gender-related issues. In June 2021, MIGA also became a founding member of the 2X Collaborative initiative. The 2X Collaborative is a global industry body designed to serve capital providers in making gender-focused investments. Its mission is to convene and equip investors with resources to increase the volume and impact of capital directed toward women's economic empowerment. Similarly, MIGA confirmed its participation in the 2X Challenge, as an observer. The 2X Challenge is a joint commitment to invest into 2X eligible businesses under a joint time-bound volume target.

Environmental, Social, and Governance (ESG) at MIGA

Investor interest in ESG has grown exponentially in recent years. Currently, assets under management globally that abide by ESG principles exceed an estimated US\$1 trillion. MIGA backs investments in projects that deliver positive environmental and social returns by helping clients better understand ESG-related impacts and returns and ensuring that ESG considerations are part and parcel of the agency's project portfolio.



ESG integration at MIGA:

- Prescreening all projects for social and environmental impact
- Gathering development effectiveness indicators from clients
- Applying MIGA's Impact Performance Assessment and Comparison Tool (IMPACT) framework to assess a project's expected development impact
- Ensuring that projects meet the MIGA Performance Standards on Environmental and Social (E&S) Sustainability
- Verifying ESG impact through ex post evaluations
- Assessing climate risk.



MIGA helps investors raise the bar on ESG objectives:

- Ensuring that investments meet vigorous and internationally recognized standards (see MIGA's E&S Performance Standards on p. 37)
- Working with clients to continually monitor and report on E&S impacts
- Allowing clients to enter markets they otherwise would not have been able to reach, which can bring high development returns.

Measuring and Evaluating Development Impact

Assessing impact is critical to understanding the reach and results of the projects we support. From project origination to project close and after, MIGA implements several frameworks and tools that measure, track, monitor, and evaluate ESG performance.

Despite COVID-19 restrictions, MIGA was able to perform project assessments, monitoring work and evaluations. This year the agency conducted 37 virtual site visits for environmental and social monitoring. In addition, MIGA performed 9 project evaluations.

IMPACT Framework

The Impact Performance Assessment and Comparison Tool (IMPACT) assesses expected project-specific outcomes as well as beyond-the-project effects on foreign investment. The framework complements the agency's broader results measurement system. IMPACT has the following objectives:

- Perform ex ante assessments of development impact for individual projects
- Enable comparative analysis
- Inform project prioritization based on assessment of expected development impact
- Align with the IFC's Anticipated Impact Measurement and Monitoring (AIMM) framework and coordinate development impact ratings for IFC-MIGA joint projects
- Follow an agile approach to integrate IMPACT efficiently with MIGA's existing guarantee processes.

Development Effectiveness Indicator System

MIGA's Development Effectiveness Indicator System (DEIS) helps measure and track the development impact of projects that the agency insures. Through this system, MIGA measures a common set of indicators across all projects: investment-supported, direct employment, locally procured goods, and taxes and fees paid to host governments, among others. It also measures sector-specific indicators and puts into place a process to measure projects' actual development outcomes three years from the time of contract signing.

Evaluation

Since FY12, all projects have been evaluated by MIGA and the World Bank Group's Independent Evaluation Group (IEG), an independent evaluation body. The evaluations assess the achievement of the development outcomes of projects supported by MIGA through Project Evaluation Reports (PERs). MIGA conducts self-evaluations that are then validated by the IEG. Project evaluations are useful for not just assessing the results but also for generating lessons for future projects. MIGA actively uses evaluation findings in staff learning events.



Integrity

Integrity and reputational risk management are key to MIGA's role as a development partner. MIGA considers integrity and reputational risk in its clients and projects, subscribing to the World Bank Group's Anti-Corruption Guidelines, which identify fraud, corruption, collusion, coercion, and obstruction as major impediments to development and are considered sanctionable practices.

MIGA's integrity team conducts due diligence as part of business development and underwriting and monitors projects in the portfolio for potential emerging integrity or reputational risk flags. In this work, MIGA uses on-site evaluations, market soundings, experience with the client, World Bank and IFC local knowledge, and desktop resources, including proprietary databases. In FY21, MIGA continued to share integrity best practices through collaboration with other World Bank Group members and development partners, and at various integrity-focused forums.

MIGA Climate-Related Financial Disclosure

In this Annual Report, MIGA is issuing its first disclosure under the guidelines recommended by the Task Force on Climate-related Financial Disclosures (TCFD). It comes at the end of the landmark WBG Climate Change Action Plan 2016-2020, and the adoption in June 2021 of the second WBG Climate Change Action Plan 2021-2025, which is shaping the WBG's climate action agenda for the next five years. For the full disclosure, see Annex 1.

MIGA Performance Standards

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 of managing E&S performance throughout the life of a project

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 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 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 5:

Land acquisition and involuntary resettlement

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

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 7:

Indigenous peoples

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

Performance Standard 8:

Cultural heritage

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

Benefits of the Performance Standards

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 brands and reputation, and strengthen stakeholder relations.

Realize opportunities and guard against unforeseen risks

Implementing the Performance Standards helps companies identify and guard against interruptions in project execution, brand protection, and/or access to international markets.

Improve financial and operational performance

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

Social license to operate

The Performance Standards 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 75 of the world's leading financial institutions in developed and developing countries, are based on the Performance Standards. These principles are estimated to cover over 70 percent of project finance debt in emerging markets.

Gender Initiatives

The COVID-19 pandemic has widened existing gender gaps. Globally, female-owned businesses were almost 6 percent more likely to close than male-owned businesses², and 31 percent of female business owners spent six or more hours on domestic tasks (compared with 26 percent of male owners)³. A World Bank Group survey conducted in January 2021, across 13 countries in Latin America and the Caribbean, found that female workers were 44 percent more likely than male workers to lose their jobs at the onset of the COVID-19 crisis⁴.

This fiscal year, MIGA formally adopted a Gender Strategy Implementation Plan FY21-23 (GSIP). MIGA's GSIP establishes processes that enable MIGA and its staff to contribute meaningfully to gender equality at the corporate, client, and partnership level. The GSIP leverages MIGA's unique role in development finance as a provider of PRI and credit enhancement. It aims to build an approach to client engagement that is aligned with MIGA's role as an insurance provider rather than as a direct financier. MIGA's gender strategy is aligned with the World Bank Group's Gender Strategy (2016-23), which emphasizes that achieving greater gender equality is key to reducing poverty and increasing prosperity.

Gender-informed decision making is a cross-cutting practice at MIGA. The agency screens each proposed project for gender-related impacts (positive or negative) in

As MIGA shifts its focus to supporting a globally inclusive and resilient recovery, putting women at the forefront of the recovery remains critical.



MIGA Gender Leadership Award

Each year, MIGA hosts the Gender Leadership Award (formerly the Gender CEO Award)

to recognize a leader who has a proven track record of furthering women's advancement and gender equality while contributing to the World Bank Group's twin goals of reducing poverty and boosting shared prosperity.

In March 2021, Audra Low, Chief Executive Officer and Executive Director at Clifford Capital, was presented as the awardee. Low has shown her commitment to furthering gender equality in the workplace, particularly in frontline roles where women's representation has historically been lacking. Low's efforts set an example for women in the finance sector, who have been significantly underrepresented in executive positions—representing less than 2 percent of bank CEOs and holding less than 20 percent of board seats of banks worldwide.

accordance with MIGA's Policy on Environmental and Social Sustainability. Gender issues are reviewed during project consultations and, when necessary, clients are asked to minimize gender-related risks from business activities and unintended gender-differentiated impacts and/or to develop mitigation measures. This year, MIGA continued to strengthen its gender-related due diligence through enhanced training and due diligence on gender-based violence (GBV), sexual harassment, and sexual exploitation and abuse.

At a corporate level, MIGA works on increasing gender parity and equality as part of its diversity and inclusion efforts. Staff are invited to participate in various trainings, workshops, and lectures that are offered throughout the year to elevate current discussions on gender within MIGA and the World Bank Group.



2. Goldstein, M., P. Gonzalez Martinez, S. Papineni, and J. Wimpey. 2020. "The Global State of Small Business during COVID-19: Gender Inequalities." *Let's Talk Development* (World Bank blog), September 8.

3. Facebook, OECD (Organisation for Economic Co-operation and Development), and World Bank. 2020. "Global State of Small Business Report: Reflections on Six Waves of Data Collection." Wave VI Update on The Future of Business Survey.

4. LACGIL (Gender Innovation Lab for Latin America and the Caribbean). 2021. "The Gendered Impacts of COVID-19 on Labor Markets in Latin America and the Caribbean." Policy brief, LACGIL, World Bank, Washington, DC.

Governance

MIGA's Board

A Council of Governors and a Board of Directors, representing 182 member countries, guide MIGA's programs and activities. Each country appoints one governor and one alternate. MIGA's corporate powers are vested in the Council of Governors, which delegates most of its powers to a Board of 25 Directors. Voting power is weighted according to the share of capital that each Director represents. MIGA's Board resides in the World Bank Group headquarters in Washington, DC, and meets regularly to review and decide on investment guarantee projects and oversee general management policies.

Visit the Board's website for more information:

<http://www.worldbank.org/en/about/leadership/governors>

Oversight and Accountability

Compliance Advisor Ombudsman

The Office of the Compliance Advisor Ombudsman (CAO) is the independent accountability mechanism for MIGA and the IFC. The CAO responds to complaints from people affected by MIGA and IFC-supported business activities, with the goals of enhancing environmental and social outcomes on the ground and fostering greater public accountability of both institutions.

Visit the CAO website for more information:

<http://www.cao-ombudsman.org/>

Group Internal Audit

Group Internal Audit (GIA) provides independent, objective, insightful risk-based assurance and advice to protect and enhance the value of the World Bank Group. GIA gives management and the Board reasonable assurance that processes for managing and controlling risks—as well as their overall governance—are adequately designed and functioning effectively. GIA reports to the President and is under the oversight of the Audit Committee.

Visit the GIA website for more information:

<http://www.worldbank.org/internalaudit>

Independent Evaluation Group

The Independent Evaluation Group (IEG) assesses MIGA's strategies, policies, and projects to improve the agency's development results. The IEG is independent of MIGA management and reports its findings to MIGA's Board of Directors and the Board's Committee on Development Effectiveness.

Visit the IEG website for more information:

<http://ieg.worldbankgroup.org/>

Integrity Vice Presidency (INT)

The Integrity Vice Presidency (INT) is an independent unit within the World Bank Group that investigates and pursues sanctions related to allegations of fraud, corruption, collusion, coercion, and obstruction in WBG-financed projects, as well as fraud and corruption by WBG staff and vendors. In addition, through its Integrity Compliance Office, INT engages with parties toward meeting their conditions for release from sanction. INT shares its investigative insights across the institution to help mitigate fraud and corruption risk in projects, playing a fundamental role in supporting the WBG's fiduciary responsibility for the development resources it manages.

Visit the INT website for more information:

www.worldbank.org/integrity

To report suspected fraud, corruption, or other sanctionable practices in WBG-financed projects, visit www.worldbank.org/fraudandcorruption

MIGA Financial Highlights

Financial Results

By fiscal year, millions of dollars	2017	2018	2019	2020	2021
Gross premium income	179.7	210.1	237.9	232.3	239.3
Net premium income ^a	93.2	104.1	115.1	117.1	121.3
Administrative expenses ^b	51.3	51.6	57.8	61.1	58.7
Operating income ^c	41.9	52.5	57.3	56.0	62.6
Net income	200.2	40.9	82.4	57.2	81.5
Administrative expenses to net premium income ratio	55%	50%	50%	52%	48%

a. Net premium income equals gross premium income and ceding commissions less premium ceded to reinsurers and brokerage costs.

b. Administrative expenses include expenses from pension and other post-retirement benefit plans.

c. Operating income equals net premium income minus administrative expenses, including pension costs.

Capital Measures

By fiscal year, millions of dollars	2017	2018	2019	2020	2021
Total economic capital ^a	592	685	717	756	768
Shareholders' equity	1,213	1,261	1,320	1,335	1,474
Operating capital ^b	1,398	1,471	1,542	1,591	1,724
Total economic capital/operating capital (%)	42%	47%	47%	48%	45%

a. Amount of capital utilized in support of the guarantee portfolio as well as the investment portfolio and operational risk.

b. Comprised of paid-in capital, retained earnings/accumulated other comprehensive loss and Insurance portfolio reserve, net.

Noteworthy in FY21

December 2020

Working Together to Unlock FDI – Global Virtual Event

On December 8, MIGA hosted a virtual event, “Working Together to Unlock FDI,” to launch a handbook for strengthening collaboration among MDBs and unlocking FDI in emerging markets. Speakers and panelists included Mari Pangestu, Managing Director, Development Policy and Partnerships, World Bank; Tharman Shanmugaratnam, Senior Minister, Singapore, and Chair of the G20 Eminent Persons Group on Global Financial Governance (2017–18); Hiroshi Matano, Executive Vice President, MIGA; Ethiopis Tafara, Vice President and Chief Risk, Legal and Administrative Officer, MIGA; Solomon Quaynor, Vice President for Private Sector, Infrastructure and Industrialization, African Development Bank; Nandita Parshad, Managing Director, Sustainable Infrastructure Group, European Bank for Reconstruction and Development; Fabio Fagundes, Chief of Financial Products and Services Division, IDB Invest; and S. Vijay Iyer, Vice President and Chief Operating Officer, MIGA (Master of Ceremonies).

<https://live.worldbank.org/unlock-FDI>

May 2021

MIGA Trade Finance Guarantees

In May, the Board of Directors approved a new product, the Trade Finance Guarantee (TFG), in support of trade finance transactions. TFGs will provide trade finance guarantee capacity to the IFC for coverage against the risk of nonpayment by SOE banks under the IFC’s Global Trade Finance Program. The guarantees target selected IDA-eligible countries, FCS, and low-income EMDEs where SOE banks play a significant, and prospectively increasing, financing role throughout the COVID-19 pandemic.

March 2021

6th Annual MIGA Gender Leadership Award: Women Financing a Resilient Asia

MIGA hosted its 6th Annual Gender Leadership Award, titled “Women Financing a Resilient Asia,” on March 7 to coincide with International Women’s Day. The award was presented to Audra Low, Chief Executive Officer and Executive Director of Clifford Capital. Speakers included David R. Malpass, President, World Bank Group; Sri Mulyani Indrawati, Minister of Finance, Indonesia; Hiroshi Matano, Executive Vice President, MIGA; Audra Low, Chief Executive Officer and Executive Director, Clifford Capital; Ekhosuehi Iyehen, Secretary General, Insurance Development Forum; and Caren Grown, Global Director, Gender, World Bank Group.

<https://live.worldbank.org/6th-annual-miga-gender-leadership-award-women-financing-resilient-asia>

June 2021

Compliance Advisor Ombudsman Policy

The MIGA Board of Directors approved the Independent Accountability Mechanism Policy for the Compliance Advisor Ombudsman (CAO). The new policy works to improve the complaints process for IFC and MIGA projects, responding to recommendations from an independent external review. The aim is to increase the focus on outcomes for communities and IFC/MIGA clients.

<https://www.worldbank.org/en/news/press-release/2021/07/01/new-cao-policy-enhances-ifc-and-miga-environmental-and-social-accountability>

Who We Are



1. Hiroshi Matano | Executive Vice President

2. S. Vijay Iyer | Vice President and Chief Operating Officer

3. Ethiopis Tafara | Vice President and Chief Risk, Legal and Administrative Officer

4. Sarvesh Suri | Director - Climate, Energy, Extractives, Capital and Financial Markets Operations

5. Muhamet Fall | Director Infrastructure, Manufacturing, Agriculture, Services (MAS) and Trade Operations

6. Aradhana Kumar-Capoor | Director and General Counsel

7. Merli Margaret Baroudi | Director, Economics and Sustainability

8. Santiago Assalini | Director, Finance and Risk

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Annex



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.

Figure 1. 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 triannual 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 & Chief Operating Officer** oversees the Operations departments, which are mandated to seek opportunities to grow MIGA's climate business. The **Vice President & Chief Risk, Legal and Administration Officer** 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 and Administration Officer) 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 & Chief Operating Officer 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 are whether the project advances, hinders, or is neutral to the attainment of the principles and goals of the Paris Agreement ("Paris Aligned") as well as any climate resilience concerns or opportunities.
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; whether the project is Paris Aligned and the project's consistency with MIGA's Sustainability Policy and MIGA's Environmental and Social Performance Standards, and its development impact, among many other aspects of the project. If a project is approved at this stage, the project will then proceed for approval to MIGA's Board of Directors, further to 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 US\$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-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 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, which will be critical to achieving the WBG'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 phaseout 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.

Project Highlight: Climate and 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 US\$211.6 million in 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, a climate risk analysis was performed 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-mid term. Since built infrastructure, like roads, often alters a region's hydrological regime and can exacerbate flood risks, leading to detrimental impacts on neighboring communities, climate resilience measures were required to ensure the performance of the roads and 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, which is typical for roads of this class in Kenya. Specifically, this means, for example, that 1,200 millimeter (mm) pipe culverts, 600 mm access culverts, and 600 x 600 mm U-shaped drains will be constructed instead of the typical 900 mm pipe culverts, 300 or 450 mm access culverts, and 450 x 450 mm U-shaped drains. Adopting the incremental cost approach of the joint MDB climate finance methodology, up to 12 percent of the MIGA guarantees were tagged as climate adaptation finance.

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 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 US\$40 per tCO₂e in 2020 and increasing to US\$78 in 2050, and high values starting at US\$80 in 2020 and reaching US\$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.

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.

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** following the Paris Alignment methodology developed jointly by the MDBs. 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 methodology and will join the IFC in announcing the timeline for alignment of these operations to the Paris Agreement in October 2021. 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 (US\$654 million), renewable energy (US\$615 million), and infrastructure and agribusiness (US\$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 (figure 2). 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 (figure 3). From FY16 to FY21, almost one-third of MIGA's climate finance supported projects were in Sub-Saharan Africa (figure 4).

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).

Figure 2. MIGA Climate Finance Issuance, FY16–FY21

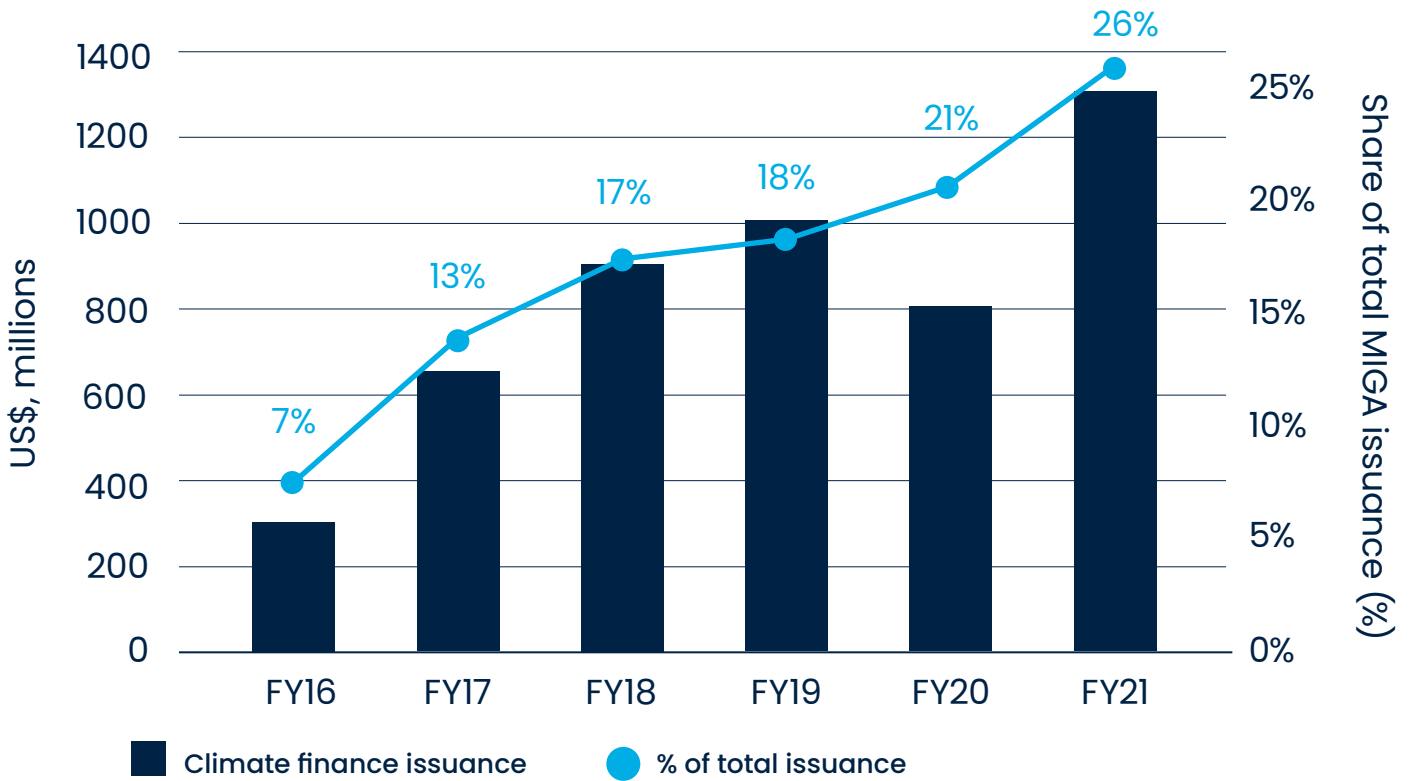


Figure 3. MIGA Climate Finance Issuance, by Region, FY16–FY21

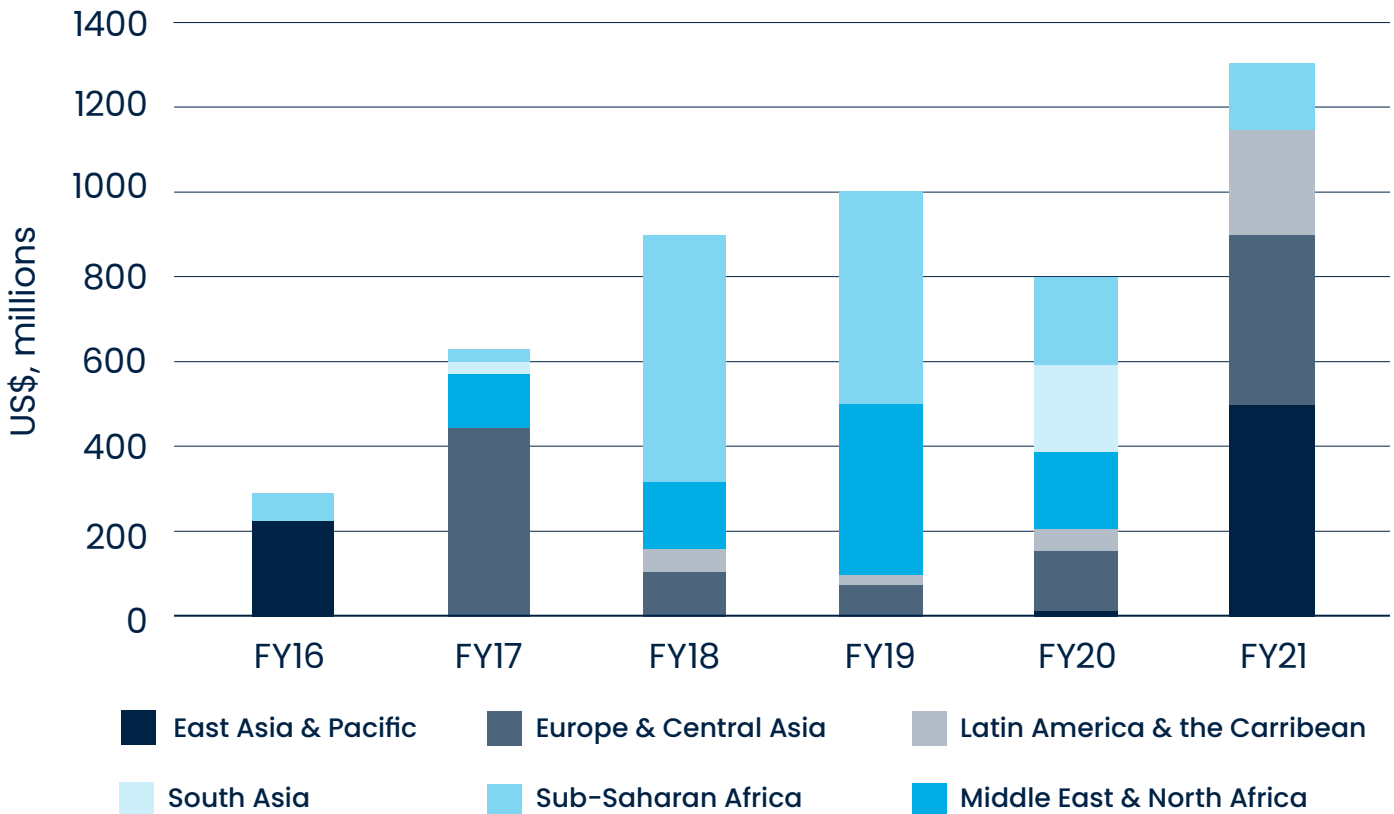
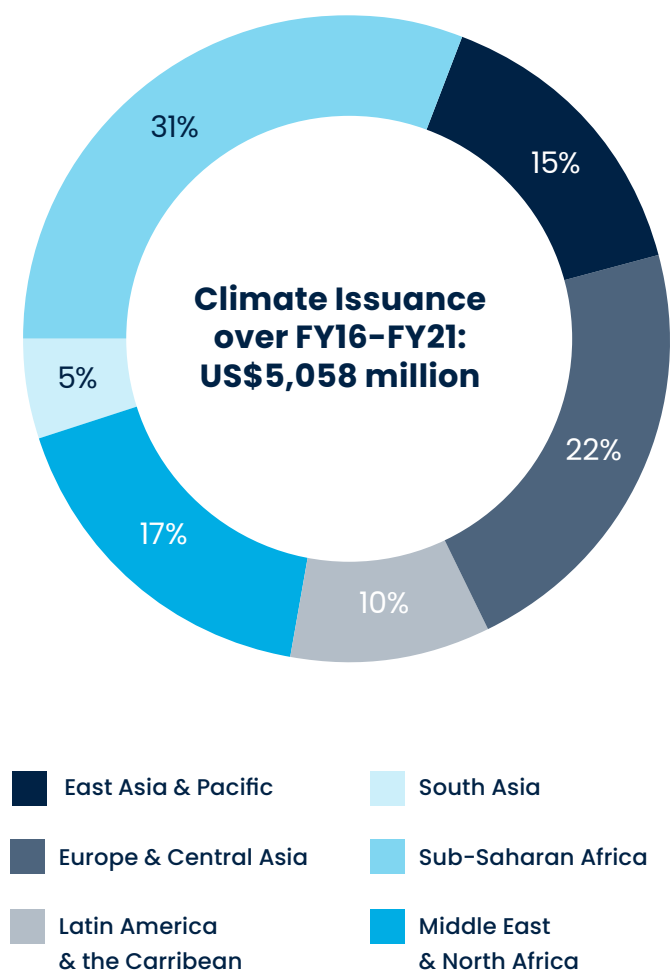


Figure 4. **Regional Shares of Total Climate Finance Issuance across MIGA's Client Countries, FY16–FY21**



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 US\$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

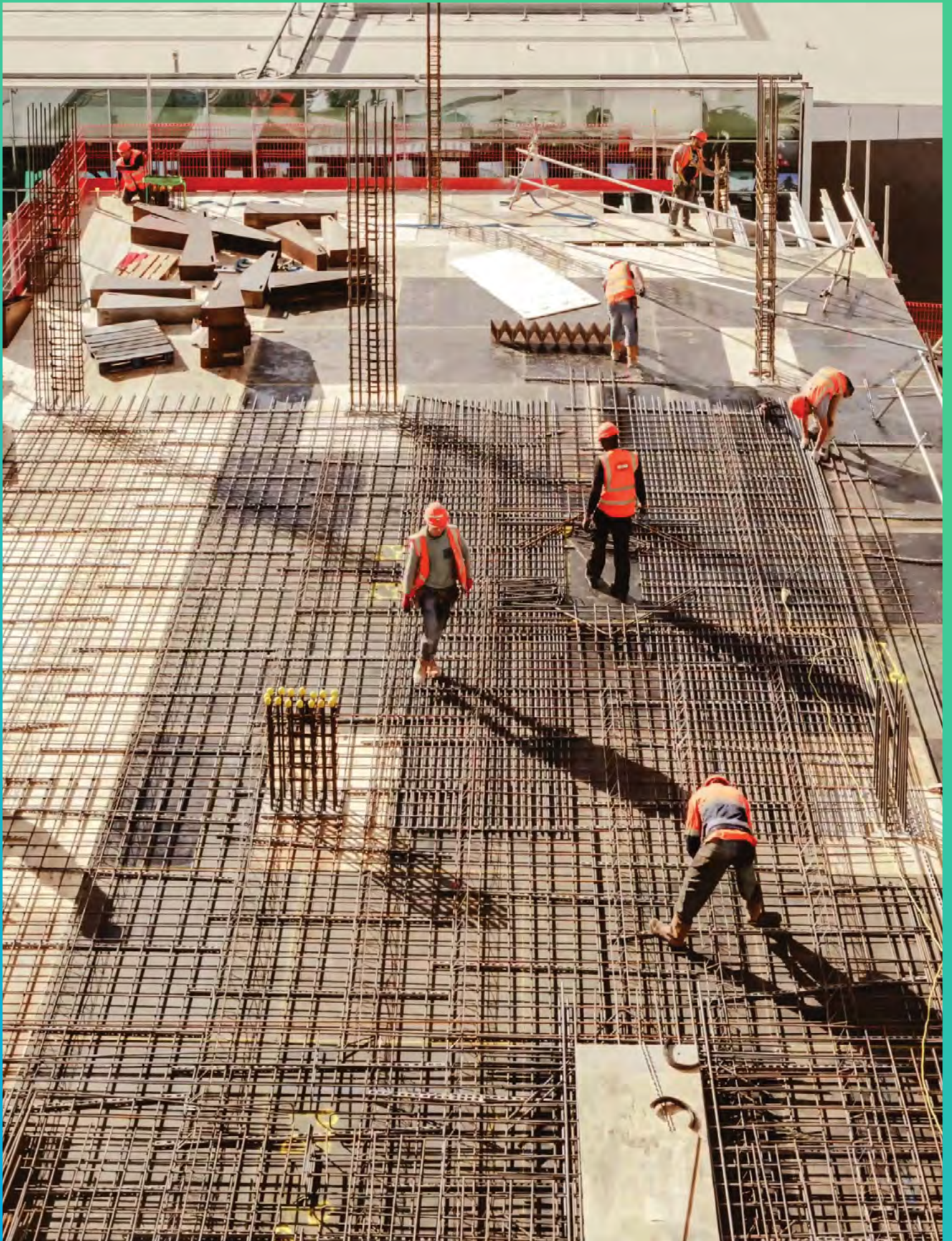
MIGA continues to calculate and report GHG emissions avoided (tCO₂e/year) and GHG gross emissions (scope 1 and 2). MIGA calculates gross GHG emissions for all real sector projects with emissions over 25,000 tCO₂e. MIGA continues to disclose ex ante estimated annual gross GHG emissions through the publicly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

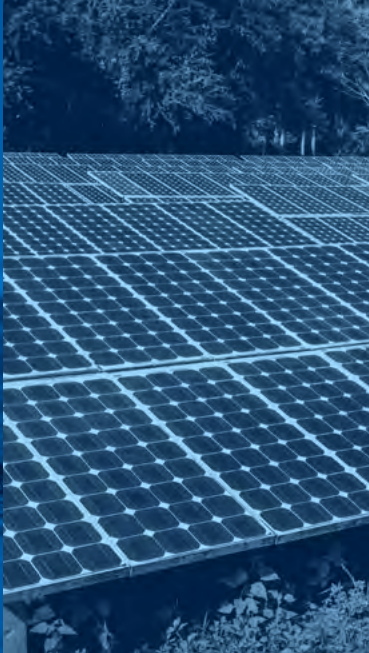
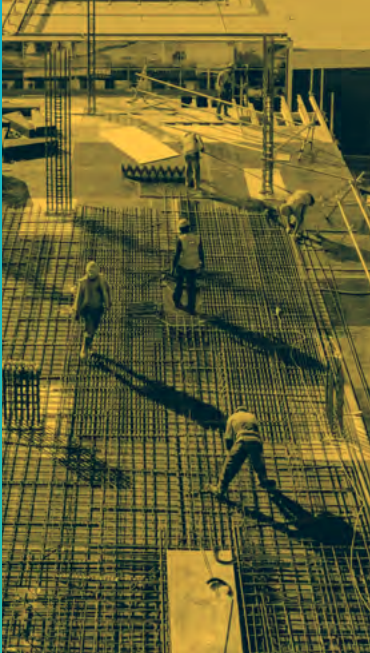
From FY19 to FY20, MIGA reduced its carbon footprint from 2,543 tCO₂e to 1,878 tCO₂e. This target is in line with the WBG's commitment to reduce facility-related emissions by 28 percent over the same period. Owing to the COVID-19 pandemic and its implications for MIGA's staff working arrangements, the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

Reporting

MIGA publicly reports its progress against climate finance commitments in this 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 triannual 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.







WORLD BANK GROUP

THE WORLD BANK
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International
Finance Corporation

MIGA

Multilateral Investment
Guarantee Agency

Since its creation, MIGA has issued
nearly \$65 billion in guarantees
across 119 developing countries.