

DE-RISKING FOR CLIMATE?

A closer look at the MIGA-supported investments on energy projects



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Cover photo: Bhola-2 gas-fired combined-cycle power project in Bangladesh. By Petra Kjell Wright, Recourse.

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Executive Summary

On 28 February 2024, World Bank Group (WBG) President Ajay Banga and the members of the Private Sector Investment Lab announced the major overhaul of the Bank's guarantee operations in order to extend guarantee coverage for investments in climate action and renewable energy. The Bank's new one-stop guarantee platform brings together all of its guarantee products and experts under the Multilateral Investment Guarantee Agency (MIGA).

Although MIGA is smaller compared to the other agencies in the WBG, its role has been undoubtedly important in making private investments possible even in environments risky for businesses as well as for human rights. Its role is likely to grow as the G20-informed international architecture reform agenda looks for "innovative finance" to crowd in private sector investments.

In the context of MIGA's political risk insurance, public money is used to protect private investors' investments when public finance is needed to meet the needs of the public.

MIGA-supported investments in energy projects are mostly large-scale and higher-risk projects that can have large and long-term impacts on the environment and communities compared to small-scale distributed energy projects that directly target energy access for communities.

From FY 1994 to 2023, MIGA supported more fossil energy projects compared to non-fossils. Examples of these fossil energy investments are the Myingyan gas power plant in Myanmar and the Bhola-2 gas power plant in Bangladesh. Both of these fossil gas plants pose risks of greenhouse gas (GHG) lock-in and have caused negative social and environmental impacts on communities.

The current WBG reform discussion is an opportunity for MIGA to align its policies and activities with the 1.5 °C goal of the Paris Agreement by quitting fossil fuel projects and instead channelling funds to facilitate the just energy transition. Towards this, the MIGA must:



Stop insuring fossil fuel projects, including fossil gas.



Prioritise small scale, distributed energy projects that ensure renewable energy access for women and communities living in poverty.



Ensure transparency and accountability for guaranteed investments, including in renewable energy.



Ensure that the rights of communities, especially women and other marginalised groups are upheld and protected.

Introduction

The World Bank Group (WBG) in 2022 stressed the importance of guarantees in its plan to 'evolve' to address the ongoing environmental, economic and social crises. Guarantees protect investors from potential losses through providing compensation. These guarantees 'de-risk' investments by ensuring that foreign investors can still recoup their investments when an event covered by the guarantee occurs. In the Multilateral Investment Guarantee Agency's (MIGA) case, the agency protects investors from losses resulting from non-commercial risks, i.e. restrictions on currency conversions and transfers, breach of contract, expropriation, and war and civil disturbance. MIGA's strategy for Financial Years 2021–2023¹ identified "increasing its support for projects that address climate change" as one of its two priority areas, the other one being "increasing engagement in IDA and FCS countries". Like the International Finance Corporation (IFC), MIGA commits to aligning its guarantees to the goals of the Paris Agreement by applying the Joint MDB Methodology on Paris Alignment.² Its website shows examples of how it de-risked private sector investments in energy in Africa.³

The World Bank Evolution Roadmap released on 18 December 2022 emphasised that guarantee instruments are needed "to catalyse more private investment, including equity investment, to address both country priorities and global challenges".⁴ During the G20 Finance Ministers and Central Bank Governors' Meeting on 28 February 2024, WBG President Ajay Banga and the members of the Private Sector Investment Lab announced the major overhaul of the Bank's guarantee operations in order to extend guarantee coverage for investments in climate action and

renewable energy.⁵ Part of this overhaul is the launch of the new one-stop guarantee platform on 1 July 2024. It will bring together guarantee experts and products from across the WBG under MIGA. According to President Banga, "[b]y consolidating our offerings, simplifying processes, and boosting accessibility we are delivering faster, easier access to guarantees for businesses."⁶ There are plans to increase the agency's issuance of guarantees as well as employees.⁷

However, using public money to 'crowd in' private capital diverts public money to enable private profit. In the context of MIGA's political risk insurance, public money is used to protect private investors' investments when public finance is needed to meet the needs of the public. Expanding the role of the private sector in development, including in addressing climate change, without ensuring safeguards to protect the environment and rights of communities are implemented, can result in human rights violations and irreversible harm.

The MIGA is mandated to require its clients to adhere to eight environmental and social Performance Standards⁸ to manage environmental and social risks and enhance development impacts. However, concerns have been raised about MIGA's implementation of those standards and its accountability to them. In 2019, for example, an independent review of the environmental and social accountability framework of the IFC and MIGA and the Compliance Advisor Ombudsman's (CAO) role and effectiveness was requested by the Committee on Development Effectiveness (CODE), part of the institution's Board. The findings released in 2020 called on MIGA to contribute to remedies when harms are done, actively

engage with communities on the ground, and ensure that clients disclose the availability of the CAO to the communities impacted by the development projects they support.⁹ MIGA has also been criticised by CSOs for supporting fossil fuels and other harmful investments in developing countries.¹⁰ The agency has also been subject to several complaints filed at the CAO by communities and CSOs for their investments that caused

environmental and social harms.¹¹ MIGA's activities need to be examined in light of the WBG reform discussions and the plans to overhaul and expand the WBG's guarantee operations. What is MIGA de-risking? Who eventually bears the risks of the private sector investments guaranteed by MIGA, especially in the WBG's effort to mobilise private sector resources for climate action and renewable energy?

What is MIGA?

The Multilateral Investment Guarantee Agency (MIGA) provides guarantees against non-commercial risk in respect of cross-border investments. Created in 1988, MIGA's core mission is "to enhance the flow to developing countries of capital and technology for productive purposes under conditions consistent with their development needs, policies and objectives, on the basis of fair and stable standards for the treatment of foreign investment."¹² MIGA is supported by capital subscriptions of shareholders as well income from its guarantee business and investments.¹³

As of September 2023, MIGA has 182 member countries, of which 28 are Category I (developed member countries) and the remaining 154 are Category II (developing member countries).¹⁴ The United States is the largest shareholder with 18% of the shares and 15% of the votes. Japan comes in second place with 5% of the shares in MIGA's capital stock and 4% of the votes.¹⁵ Throughout MIGA's history, the executive vice president who leads the agency has always come from Japan¹⁶, which mirrors the gentleman's agreement of the WBG being led by a US national, and the IMF by an EU national.

Miga Shareholding	
United States	18.36%
Japan	5.06%
Germany	5.04%
France	4.83%
United Kingdom	4.83%
China	3.12%
Russian Federation	3.12%
India	3.03%
Canada	2.95%

Table 1. Member countries' shares of MIGA's capital stock

MIGA bolsters the private investment activities of the International Bank for Reconstruction and Development (IBRD, the WBG's middle-income country arm), the International Finance Corporation (IFC, the WBG's private sector lending arm), as well as the International Development Association (IDA, the WBG's low-income country arm) through issuing guarantees against non-commercial risks for foreign investments between member countries.¹⁷ MIGA does not cover commercial risks. It makes investing in less developed countries less risky for foreign private companies by providing guarantees against political risk which cover restrictions on currency conversions and transfers, breach of contract, expropriation, and war and civil disturbance. These guarantees ensure that foreign investors can still recoup their investments when an event covered by MIGA occurs. In the event that MIGA pays guarantee claims from investors, the agency's Convention¹⁸ allows it to exercise the right to recover the amount it paid in guarantee claims from the government of the host country through subrogation,¹⁹ wherein MIGA assumes the investor's right to collect damages. This supports MIGA as it is set up as a self-sustaining institution and is required to be financially sustainable. According to MIGA, in its 35-year history and with over 1,000 projects, the agency has paid only 11 claims.

MIGA also provides advisory services, capacity building support, and mediation services wherein the agency acts as a facilitator of negotiations between governments and private investors to settle disputes without the need for formal arbitration or litigation, which can be lengthier and costlier.²⁰ Capital optimisation²¹ and protection against losses from a failure by a sovereign, sub-sovereign, or state-owned enterprise to make payments when due were recently also added to MIGA's insurance products.

MIGA also created the [Small Investment Program \(SIP\)](#) to facilitate investments in small and medium-sized enterprises involved in the finance, agribusiness, manufacturing, and services sectors. The length of guarantees can range up to 15, or even 20 years.

MIGA is the smallest and least known member of the WBG. Compared to IFC's over 4000²² staff and \$18.7bn²³ disbursements in 2023, MIGA employs fewer than 200 people²⁴ and its gross issuance of guarantees for the same year is \$6.4bn. For further comparison, IDA disbursed \$27.7bn and IBRD \$25.5bn in 2023.²⁵ Although MIGA's operations are dwarfed by the other branches, its guarantees are an important complement to the WBG's function as a 'de-risking machine' for private sector investments.²⁶ The role of the agency is further put under the spotlight in the calls for reform of the Multilateral Development Banks (MDBs) as well as plans to overhaul and expand the WBG's guarantee business to address challenges, including climate change.

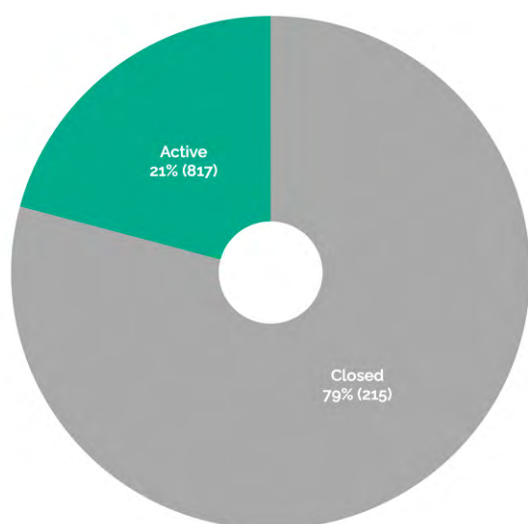


MIGA's Executive Vice President, Hiroshi Matano, on a trip to South Korea in June 2024. [From X.](#)

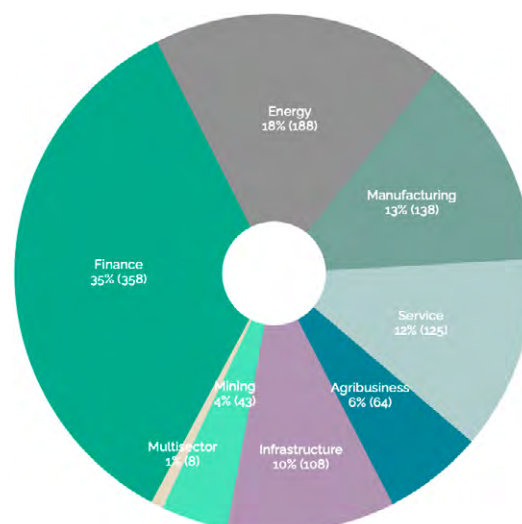
Examining MIGA's supported investments

MIGA issued its first guarantee contracts in support of projects in 1990. Between fiscal years (FY) 1990 to 2023, MIGA supported a total of 1,032 investments in various projects.²⁷ These are composed of 215 active projects, and 817 closed projects (see Figure 1). These projects belong to the following categories: finance²⁸ (35%), energy (18%)²⁹, manufacturing (13%), services³⁰ (12%) infrastructure (10%), agribusiness (6%), mining (4%) and multisector (1%) (see Figure 2).

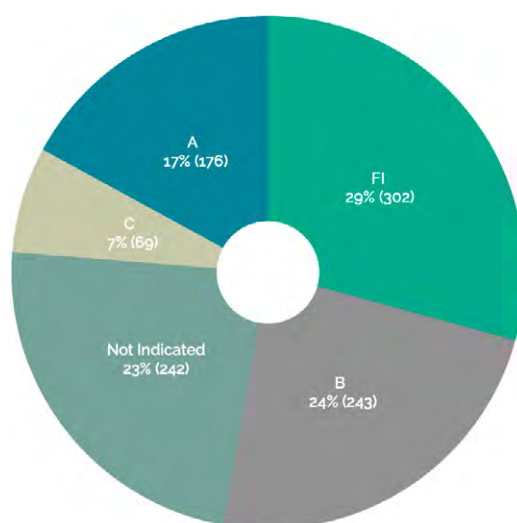
More than half of the investments fall under FI and medium environmental and social risk categories (see Figure 3) (see Box 1 for elaboration on the environmental and social risk categorisation). However, almost a quarter of the investments did not have information on their environmental and social risk categories indicated in the data downloaded from MIGA's website.



*Status of projects in MIGA supported projects
FY 1990–2023*



*Figure 2. Sector categories of MIGA supported
projects FY 1990–2023 (includes active and closed)*



*Figure 3. Environmental and social risk categories of MIGA's supported projects
FY 1990–2023*

Box 1. MIGA's environmental and social risk categorisation

MIGA uses the same environmental and social risk categories as the IFC. The use of these categories aims to reflect the magnitude of risks and impacts of the projects, as well as to determine MIGA's institutional requirements for disclosure. These categories are:

- Category A: Business activities with potential significant adverse environmental or social risks and/or impacts that are diverse, irreversible, or unprecedented.
- Category B: Business activities with potential limited adverse environmental or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures.
- Category C: Business activities with minimal or no adverse environmental or social risks and/or impacts.
- Category FI: Business activities undertaken by financial intermediaries or through delivery mechanisms involving financial intermediation. This category is further divided into:
 - FI-1: when the existing or proposed portfolio is expected to include substantial business activities with potential significant adverse environmental or social risks or impacts that are diverse, irreversible, or unprecedented.
 - FI-2: when the existing or proposed portfolio is expected to include business activities that have potential limited adverse environmental or social risks or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures; or includes a very limited number of business activities with potential significant adverse environmental or social risks or impacts that are diverse, irreversible, or unprecedented.
 - FI-3: when the existing or proposed portfolio is expected to include business activities that predominantly have minimal or no adverse environmental or social impacts.

A closer look at the MIGA's supported energy sector investments

Guarantees for investments in fossil energy are higher in number and in total gross guarantee exposure than non-fossil energy.

MIGA's first guarantee to an investment in the energy sector was issued in FY 1994.³¹ Between FYs 1994 and 2023, the total number of energy investments supported by MIGA was 188. These consist of 69 active projects (37%) and 119 closed projects (63%) (see Figure 4).

Energy projects supported by MIGA are mostly fossil fuel projects. The total number of guarantees for investments (both active

and closed) in fossil energy projects since FY 1994 is higher than non-fossil energy and transmission and distribution (T&D) projects (see Figure 5). Most fossil energy investments are in gas projects while most of the non-fossil energy investments are in solar projects (see Table 1). Total gross guarantee exposures for each type of energy project also reveal MIGA's support for fossil energy investments. The number of gross guarantees issued to investments in fossil energy is 48% higher than for non-fossil energy projects (see Figure 6). Total gross guarantee exposure issued to energy projects is higher for fossil projects compared to non-fossils (Figure 7).

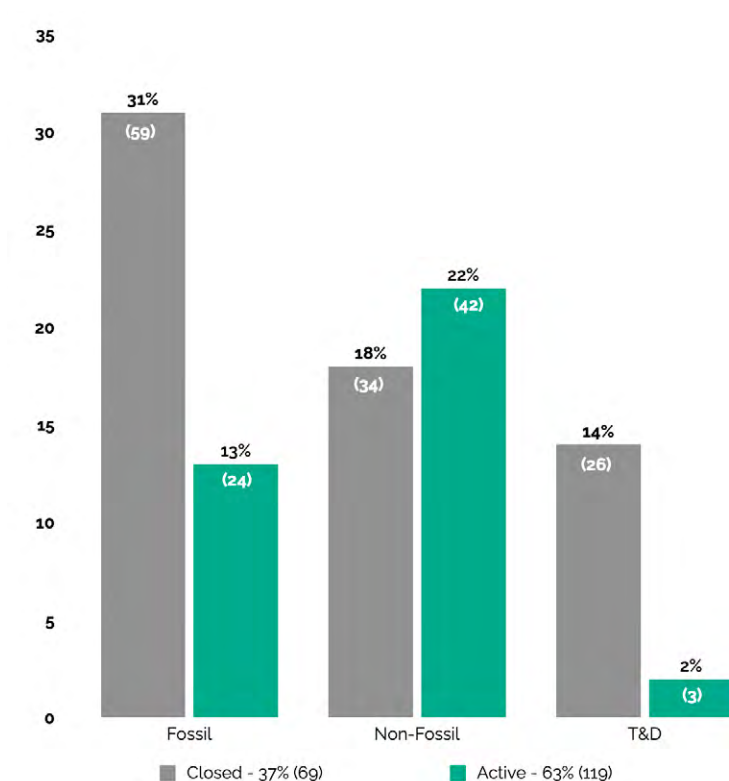


Figure 4. Percentage status of energy projects supported by MIGA FY 1994–2023

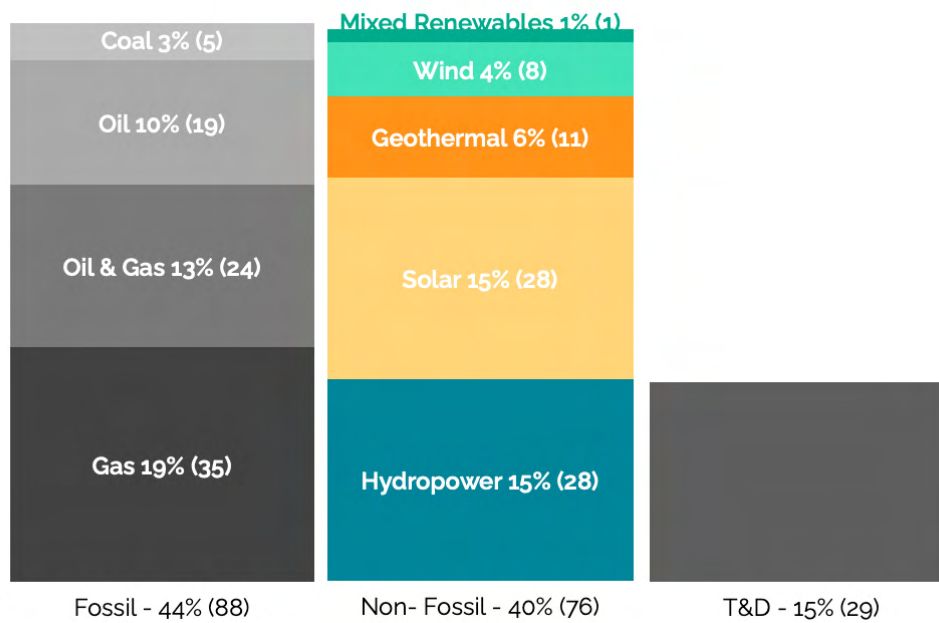


Figure 5. Number and sub-category of energy projects supported by MIGA FY 1994–2023

	Active	Closed	Total
Fossil	24	59	83
Coal		5	5
Gas	17	18	35
Oil	3	16	19
Oil and Gas	4	20	24
Non-fossil	42	34	76
Geothermal	1	10	11
Hydropower	17	11	28
Renewable	1		1
Solar	19	9	28
Wind	4	4	8
T&D	3	26	29
Grand Total	69	119	188

Table 2. Breakdown of the number of energy projects supported by MIGA FYs 1994–2023

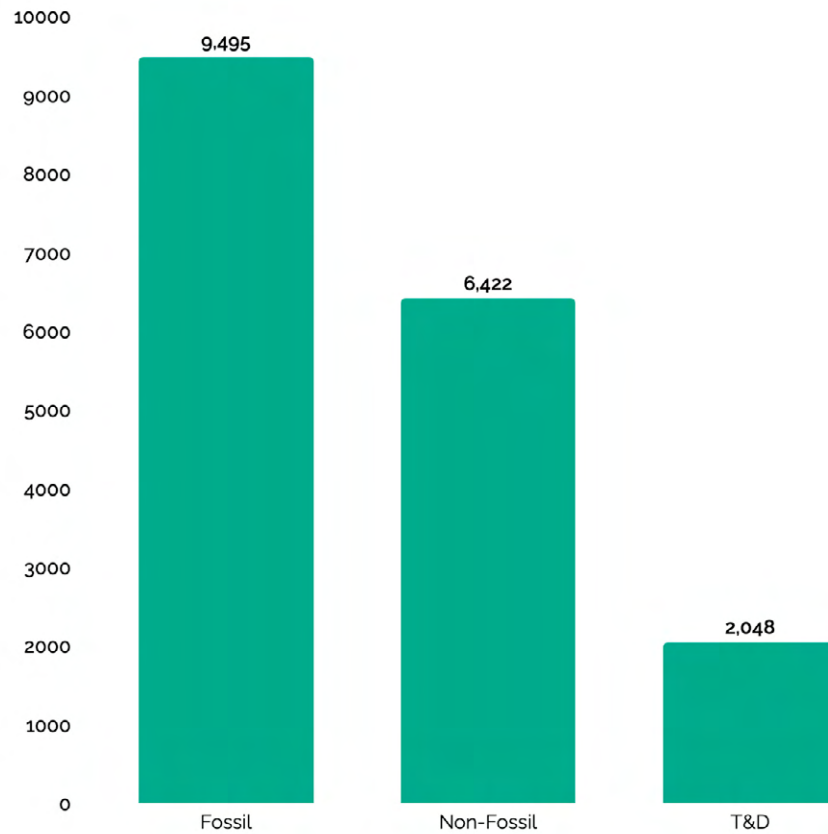


Figure 6. Gross guarantee exposure of all energy projects supported by MIGA FYs 1994–2023, in million USD

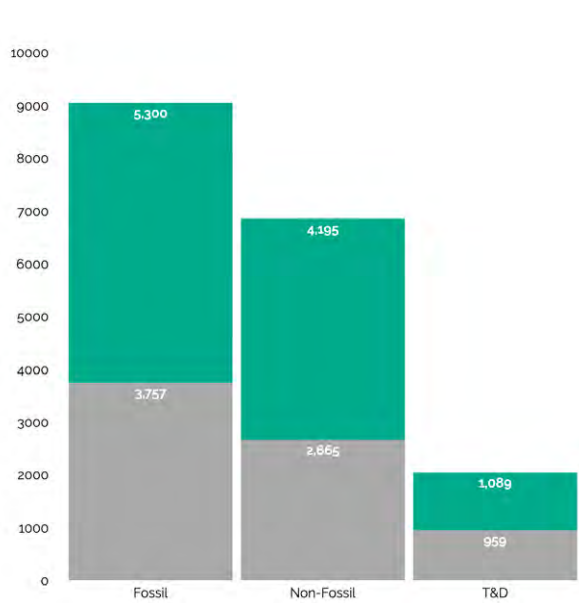


Figure 7. Gross guarantee exposure of energy projects supported by MIGA before and after Paris Agreement, in million USD

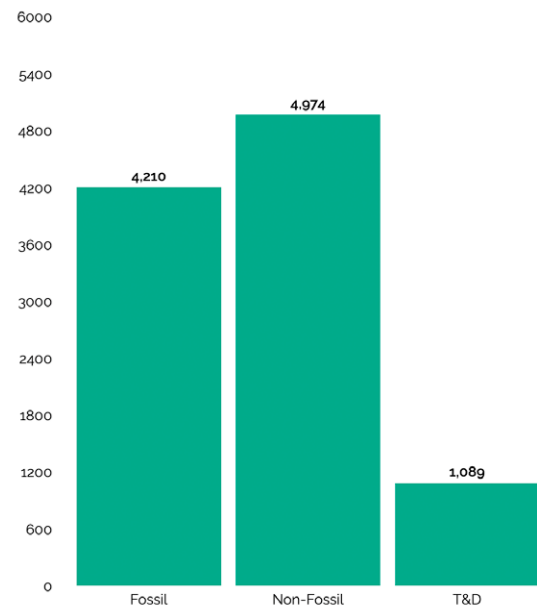


Figure 8. Gross guarantee exposure of active energy projects supported by MIGA (FYs 1994–2023), in million USD

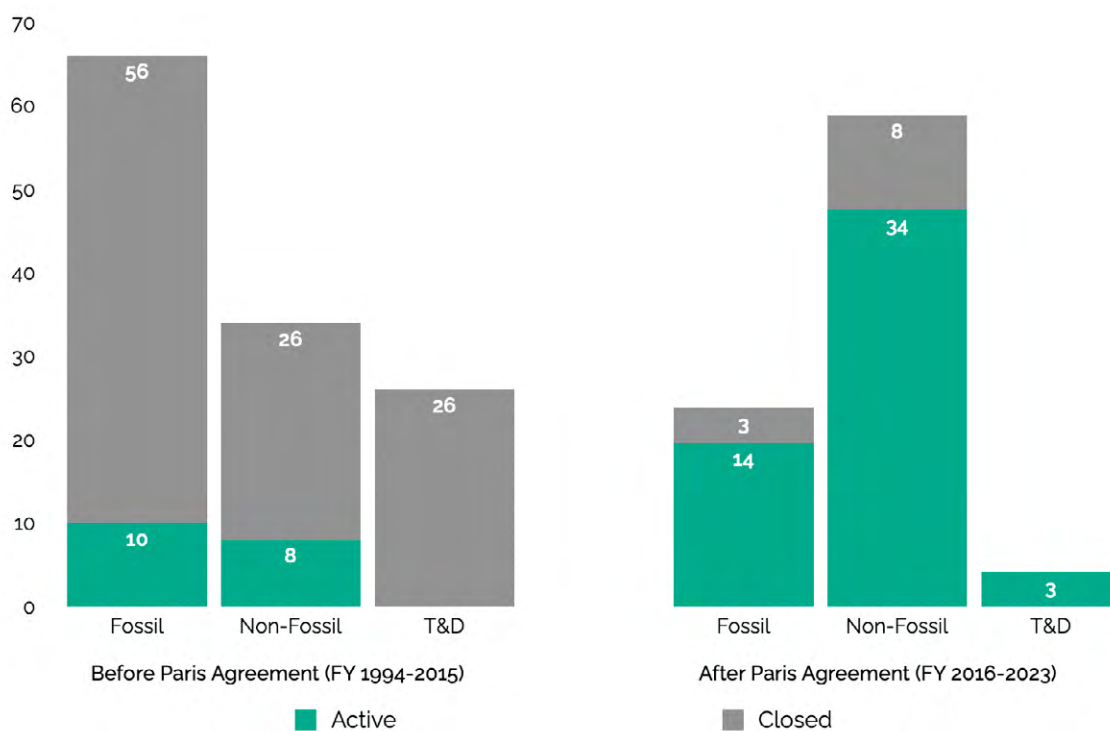


Figure 9. Number of energy projects supported by MIGA before and after Paris Agreement

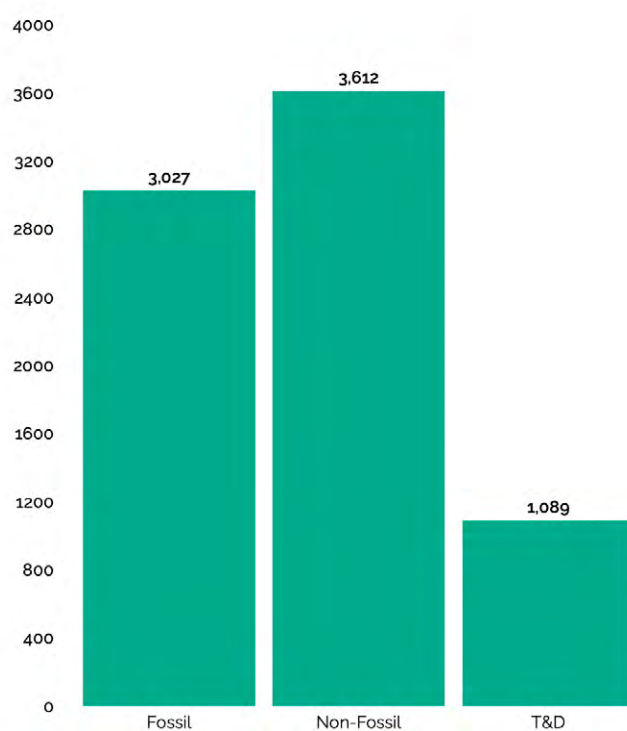


Figure 10. Gross guarantee exposure of active energy projects issued after Paris Agreement (FYs 2016-2023), in million USD

Active guarantees for fossil energy projects have decreased, especially after the Paris Agreement. Without an endgame for fossil fuels, progress remains under threat.

Table 2 shows that there is no active coal project being supported by MIGA. The last guarantee for an investment in a coal power plant in Bulgaria was issued in FY 2006 and was cancelled in August 2022.³²

Figure 9 shows that after the Paris Agreement, the number of guarantees issued to investments in non-fossil energy projects was more than twice of those issued to fossil energy projects. The retirement of legacy fossil energy

projects contributed to the lessening of the share of fossil energy projects in the gross guarantee exposure of active energy projects compared to non-fossils (see Figure 8 and 10). However, the total gross guarantees issued to investments in energy projects, including the closed guarantees, reveals that MIGA's support for fossil energy projects is still higher even after the Paris Agreement (Figure 7).

Continuous progress in decarbonising MIGA's energy portfolio is uncertain as long as MIGA's policies, including its Paris Alignment Methodology (see Box 2), do not exclude support for fossil gas and related projects.

Box 2. MIGA and Paris Alignment

During the 2017 One Planet Summit in Paris, Multilateral Development Banks including the World Bank Group jointly committed to align their financial flows with the Paris Agreement. The World Bank committed to align 100% of new operations, starting from 1 July 2023. For IFC and MIGA, 85% of new operations will be aligned starting 1 July 2023, and 100% from 1 July 2025.³³ The World Bank released its own instrument methods which are aligned with the Joint MDB Methodological Principles for Assessment of Paris Agreement Alignment (Joint MDB Paris Alignment Approach). Meanwhile, the IFC and MIGA use the Joint MDB Paris Alignment Approach.

However, the Joint MDB Paris Alignment Approach still allows support for fossil fuels through:

- ⦿ **Not categorising fossil gas as a universally non-aligned activity.** Fossil gas is not included in the list of universally non-aligned activities. This exclusion list is currently limited to the extraction and electricity generation from coal and peat. It also does not cover oil and coal for industrial use, such as captive coal.
- ⦿ **Allowing support for fossil gas projects as long as they are 'consistent with countries' transition to low-greenhouse gas (GHG) development pathways and countries' climate policies.** According to the 2023 United Nations Environment Programme's (UNEP) Emissions Gap Report, the current combined unconditional Nationally Determined Contribution (NDC) pledges by countries will result in a planetary warming of at least 2.9°C. Fully implementing conditional NDCs would lower this to 2.5°C, which is still higher than the Paris Agreement's goal of limiting global warming to 1.5°C.³⁴

Almost all approved investments are in large-scale, higher-risk projects.

MIGA's energy portfolio has more large scale and higher-risk projects that can have large and long-term impacts on the environment and communities compared to small-scale distributed energy projects that directly target energy access for communities. Only 142 (76%) of the 188 approved energy projects provided information about the project's environmental and social risk categories. Almost half (44%) of these projects with risk categories fall under category A. All of the approved non-fossil energy projects are for large scale/utility.

Beginning FY 2011, MIGA started tagging projects in its portfolio according to the strategic priority areas they have identified. These tags include IDA, fragile and conflict-affected states, energy efficiency and climate change, climate finance and gender. MIGA tagged 19 non-fossil energy projects (12 solar, 4 hydropower, and 2 wind) and one fossil energy project (the Yerevan Combined Cycle Gas Power Plant³⁵) as contributing to energy efficiency and climate change. Two non-fossil projects (one hydropower and one solar) were also tagged as contributing to climate finance.

Investments in energy projects mostly come from industrialised countries and flow to countries in Africa and Latin America.

Most investors in the active energy projects are from European countries. Together, they hold guarantees in 106 energy projects (see Figure 11). Most of these investors are from Spain, the British territories, Netherlands, United Kingdom, France, Mauritius and South Africa (See Figure 12). While there are 31 energy

projects whose investors are from Africa, a large majority of these investors are from South Africa (13) and Mauritius (15), a well-known tax haven. Investors from the British Territories of Bermuda, Virgin Islands and Cayman Islands, which are also well-known tax havens in the Caribbean, hold guarantees in 24 energy projects. Together, investors in 38, or 20%, of the energy projects between FY 1994 and FY 2023 are registered in tax havens. The top guarantee holders in energy projects are Coastal Power (7), Ormat (7), Standard Bank (6) Standard Chartered Bank (6), Cobra Group (6) Globeleq (6), HSBC (6), Absa Bank (4), Mizuho (4) and BNP Paribas (4).

Africa (75) hosts the most number of the investments in energy projects supported by MIGA, followed by the Caribbean and South America (54) (see Figure 13). The majority of investments in energy projects in Africa are in Egypt, Kenya, Mozambique and Uganda. Meanwhile, half of the energy projects in the Caribbean and South America are in Brazil and the Dominican Republic (Figure 14).

Egypt (15) hosts the most MIGA-guaranteed investments in non-fossil energy, mostly in solar energy (12), which are all part of the Benban PV Solar Park in the Aswan Governorate. Meanwhile, Bangladesh is home to the highest number of guaranteed investments in fossil energy (7), followed by Mozambique (6), all in gas and oil and gas energy projects. The most recent guarantee that MIGA issued for fossil energy investments in Bangladesh is for the Bhola-2 220 MW Combined Cycle Power Plant in FY 2022. In the same fiscal year, MIGA issued guarantees for two fossil energy investments in Mozambique: the 175MW gas-fired power plant Central Termica de Ressano Garcia and the 450MW gas-fired power plant Central Termica de Temane.

Energy Project	Risk Category			Total
	A	B	Not indicated	
Fossil	38	13	32	83
Non-fossil	31	40	5	76
T&D	14	6	9	29
Total	83	59	46	188

Table 3. Risk categories of MIGA supported energy projects FY 1994-2023
(includes active and closed projects)

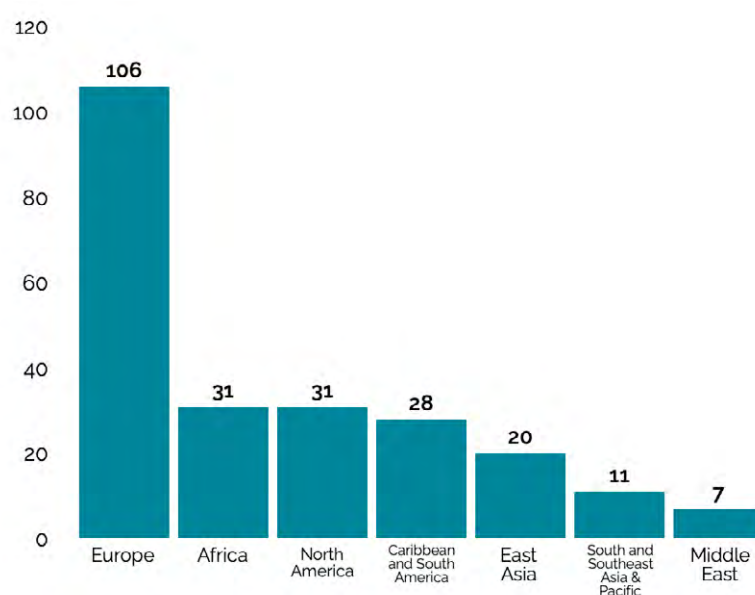


Figure 11. Region of investors in MIGA supported energy projects

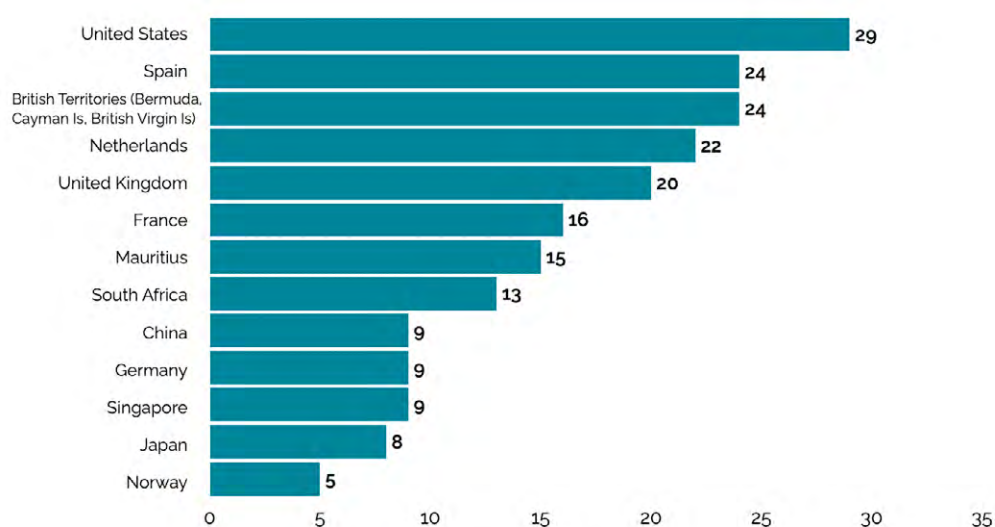


Figure 12. Top countries where MIGA's investor clients in energy projects are registered

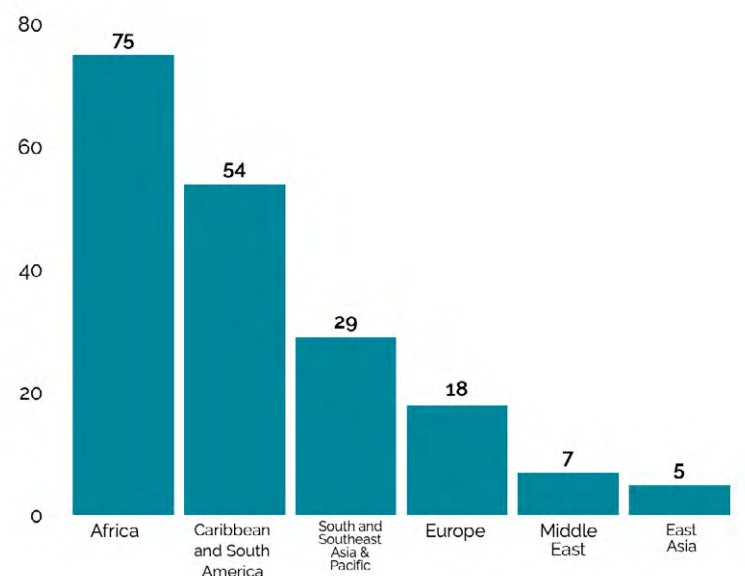


Figure 13. Region of countries hosting MIGA supported energy projects

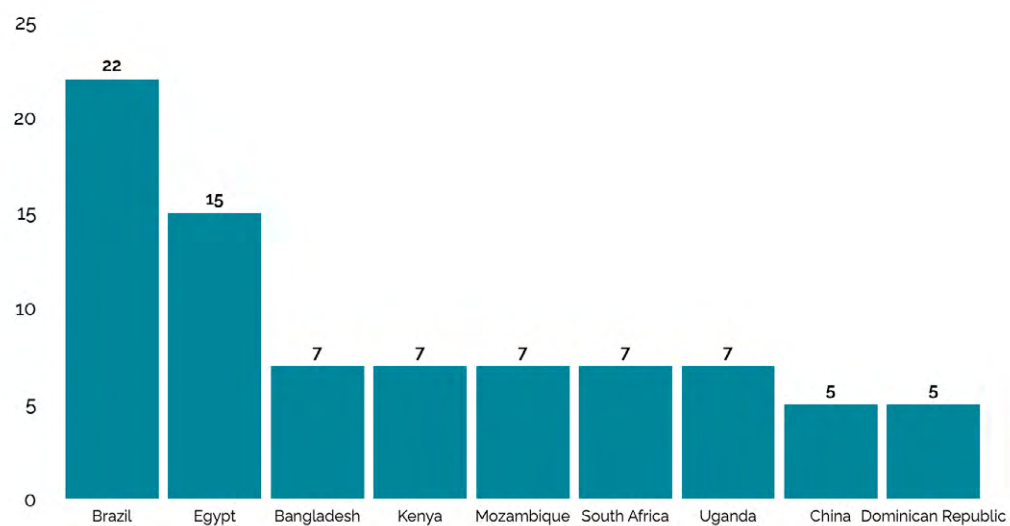


Figure 14. Top countries hosting MIGA supported energy projects

Who bears the risks?

In September 2023, a G20 commissioned report³⁶ recommended that MIGA could play a larger role in the MDB system by tripling its annual guarantees by 2030. This recommendation was supported by the WBG President Ajay Banga during a video conference with development ministers and senior officials from the European Union member states and the European Commission in November 2023. During the call, he emphasised his goal of tripling the size of MIGA and focusing more on guarantees, including for renewable energy.³⁷ How can the covering of non-commercial risks using public money, possibly affect the public?

Public money can be used to guarantee corporate profits even during times of economic crisis

In the event that governments fail to meet their obligations to private investors, MIGA can step in to pay claims from the investors using public money. One such case is the insurance claims paid by MIGA to Enron Java Power Co. (Enron), which held a \$15m guarantee for its equity investment in P.T. East Java Power Corporation in Indonesia. The project, involving a 500MW power plant near Surabaya, Indonesia, was one of many suspended by presidential decree in 1997 in response to the country's economic crisis.³⁸ Enron received \$15m from MIGA's funds and Indonesia avoided arbitration in international courts. After the insurance claim was awarded to Enron, MIGA only resumed guaranteeing investments in Indonesia when the government in 2001 agreed to reimburse the agency. The \$15m reimbursement was made over several years as Indonesians were still reeling from the impacts of the Asian Financial crisis which left many without jobs and caused an increase in the number of people living below the poverty line.

MIGA clarified that the agency exercises subrogation only in very few instances where government actions have resulted in the failure to meet obligations to private investors. It has not recouped guarantee payouts to companies in situations, for example, in which wars and civil strife have damaged investors' properties.³⁹

De-risking fossil gas investments harms the climate and communities

Fossil gas investments are still a significant portion of MIGA's guarantees. While lower in carbon emissions compared to coal, gas emits other GHGs such as methane, which is a potent greenhouse gas that can trap 80 times more heat than carbon dioxide over the following 20 years after methane has been emitted into the atmosphere.⁴⁰ Moreover, typical of large-scale energy projects, fossil gas investments can result in massive social and environmental impacts on communities where infrastructure is constructed.

Despite the WBG's several commitments to align its finance and activities with the objectives of the Paris Agreement since its signing at COP 21 in 2015, MIGA still issued guarantees to investments in fossil gas projects. Moreover, the Joint MDB Methodology on Paris Alignment released in July 2023, which the MIGA adheres to, falls short of the ambition to keep global warming within 1.5°C by still allowing investments in fossil gas to be supported by MDBs. With fossil gas power plants typically having lifespans of 20 to 30 years,⁴¹ these investments can lock countries into high GHG emissions until well into the 2040s, when GHG emissions need to fall by 45 to 50 percent by 2030.⁴² Two examples of these fossil gas investments are the Myingyan gas power plant in Myanmar and the Bhola-2 gas power plant in Bangladesh. Both of these

fossil gas plants pose risks of GHG lock-in and have caused negative social and environmental impacts on communities.

In March 2018, Sembcorp Utilities received up to \$57.4m guarantees from MIGA for its equity investments in the 225 megawatt Myingyan combined-cycle gas turbine power plant in Myanmar. These guarantees cover against risks of currency inconvertibility and transfer restriction, war and civil disturbance, and breach of contract. In May 2019, MIGA issued guarantees of up to \$112.9m covering the non-shareholder loans and associated hedging investments by commercial lenders, Clifford Capital Pte. Ltd, DBS Bank Ltd and Oversea-Chinese Banking Corporation Limited, to Singaporean company Sembcorp for the Myingyan gas power plant. The guarantees are available for up to 17 years and will provide coverage against the risks of currency inconvertibility and transfer restriction, expropriation, war and civil disturbance, and breach of contract. Prior to the MIGA guarantees, the Asian Development Bank (ADB) provided \$304m to the project in loans and guarantees while the IFC provided a \$75m loan and the Asia Infrastructure Investment

Bank (AIIB) a further \$20m. The Myingyan gas power plant is the first independent power producer project that was awarded by Myanmar through public-private partnership (PPP). Its success was meant to demonstrate the sustainability of PPPs and encourage FDI into Myanmar⁴³ (see Box 3).

Another fossil gas investment that MIGA insured is the 220 megawatt Bhola-2 combined cycle gas power plant in Bangladesh. MIGA issued guarantees in June 2022 totaling \$407m to cover the acquisition and refinancing of Nutan Bidyut Bangladesh Limited (NBBL), the project enterprise that owns and operates the Bhola-2 power plant, by Actis. The guarantee protects Actis' equity investments from the risk of breach of contract-arbitral award default for a period of up to 20 years. Non-shareholder loans made by Mizuho Bank, Ltd., DBS Bank Ltd., and the Singapore branches of the Bank of China Limited, ING Bank, Société Générale and Sumitomo Mitsui Banking Corporation for up to 18 years against the risks of transfer restriction, expropriation, war and civil disturbance, and breach of contract-arbitral award default.⁴⁴ Like the Myingyan gas power plant, Bhola-2 also received financing from the AIIB (see Box 4).



Bhola-2 combined cycle gas power plant in Bangladesh. From [MIGA website](#).

Box 3. Myingyan 225 MW combined cycle gas turbine (CCGT) power plant

Commercial operations of the fossil gas plant started in October 2018. According to project documents, the fossil gas plant will emit an estimated 731,000 tonnes CO₂e annually (tCO₂e/year), which is considered as a 'significant emitter' as it exceeds the 25,000 tonnes CO₂e threshold of the IFC's Performance Standard 3 on Resource Efficiency and Pollution Prevention. It should be noted that this threshold is even higher than the 20,000 tonnes CO₂e threshold indicated in the September 2023 draft of the ADB's draft environmental and social framework.

The project proponents failed to implement gender sensitive consultations and consent with project affected communities. The Myingyan gas project intruded into local farm areas which affected livelihoods, and especially the livelihoods of women; comprehensive project information was not disclosed in the local language, and the community was not informed about their right to access the MDBs' accountability mechanisms.

The Myingyan gas power plant in Myanmar is an example of a fossil gas project that did not address the energy access needs of nearby communities. Villagers in the 13 nearby affected communities were not provided with access to electricity from the power plant that affected them, but rather individual households had to pay steeply to connect to the grid. Sembcorp secured a 22-year power purchase agreement (PPA) with the Ministry of Electric Power in 2016. However the terms of the PPA, including the tariffs, remain confidential, denying citizens the ability to examine whether the project is of public benefit, fulfils its development impact aims, or represents good value for money. This goes against good practice, including that of the World Bank Group itself which in its Framework for Disclosure in Public–Private Partnerships recommends transparency in PPP contracts to avoid corruption and bad value for money.

After the coup d'état in Myanmar on 1 February 2021, CSOs issued a letter calling on international financial institutions and other donors to stop loans and fully reassess their policy towards Myanmar in light of events. The WBG also issued a statement on temporarily putting a hold on disbursements on the Bank's operations in Myanmar. After three years under the military regime, power cuts are worsening due to the on-going conflict, as is financial sustainability, including currency depreciation; grid maintenance costs are increasing, and there has been a decline in revenues to which electricity bill boycotts have contributed.

In 2023, Sembcorp took an expected credit loss provision of \$84m for Sembcorp Myingyan Power Company (SMPC). According to Sembcorp, "although there is no default on payment, the Group has determined that the credit risk on the service concession receivables for SMPC has increased significantly, taking into consideration forward-looking information on the risk of foreign currency shortages, a weakening economy and Myanmar being categorised as a high-risk jurisdiction by the Financial Action Task Force in October 2022, with increased risk of economic and financial sanctions." With the MIGA guarantee, payments to Sembcorp, and the investments made by Clifford Capital Pte. Ltd, DBS Bank Ltd and Oversea-Chinese Banking Corporation Limited in the project, will still be protected.

Box 4. Bhola-2 220MW gas-fired combined-cycle power project

Bhola-2 started commercial operations in June 2021 and, as per schedule, the power plant is planned to retire in June 2043. According to the Environmental and Social Impact Assessment Report, the fossil gas power plant is estimated to emit between 739,917 to 903,584 tCO₂e/year, which could contribute to at least 2.5% of the overall annual GHG emissions from Bangladesh's electricity sector.

Bhola-2 adds to another fossil gas power plant in Bangladesh that will not be retired by 2030. Together with the Bhola-1 gas power plant, which started commercial operations in September 2015 and is planned to retire in September 2040, annual GHG emissions are estimated at 1,479,834 tCO₂e.

Prior to MIGA's guarantee, the AIIB approved a \$60m loan for Bhola-2 in February 2018. Civil society groups in Bangladesh have been raising concerns about the project with the AIIB management since 2018. In April 2022, two months before MIGA issued its guarantee, affected communities together with civil society led by Bangladeshi CSO Coastal Livelihood and Environmental Action (CLEAN) and NGO Forum on ADB filed a complaint against the project in the AIIB's Project Affected Peoples' Mechanism (PPM). The complaint highlighted the lack of information disclosure and meaningful consultation with affected communities; coercion, fraud, and intimidation on land acquisition; and environmental impact and livelihood loss. According to affected families, there was coercion and intimidation from 'middlemen' appointed by the NBBL to acquire their lands at the lowest rates. The construction of the power plant also caused siltation of the Mandartoli Shakha Khal river channel. The siltation caused flooding of Dakshin Kutba village, where families dependent on growing and harvesting betel nuts were displaced.

Women were particularly badly affected. Land acquisition for the gas power plant resulted in women losing important grazing land for livestock without compensation, forcing them to buy feed instead. Because of the siltation and waste dumping in the river channel, women must now collect water two to three kilometres away from their homes. Women also found it hard to grow vegetables and farm chickens because of the flooding. Toilets were also difficult to access during the floods. Women also reported an increase in sick days since the flooding started, likely due to being exposed to the polluted river channels.

The communities affected by the Bhola gas power plant have to live with the injustice of the faulty land acquisition process; the damage to their crops, livestock, and health caused by frequent flooding of the river channel. Additionally, they also have to suffer the impacts of a warming climate to which the fossil gas power plant built in the community is contributing to. On the other hand, the investors of the Bhola power plant continue to make profits through the power purchase agreement signed with the Government of Bangladesh. According to MIGA, the agency coordinated with the AIIB before approving guarantees for investments made in Bhola wherein they confirmed that complaints have been resolved/were being resolved. CLEAN, on the other hand, clarified that the complaints and the impacts of the power plant still remain.

Environmental and people's rights must be upheld in renewable energy project development

As mentioned, MIGA issued guarantees to investments in 19 non-fossil energy projects it considers as contributing to energy efficiency and climate change. Included in these 19 non-fossil energy projects is the Category A 158.7MW Parc Éolien Taïba N'Diaye (PETN) in Senegal in which Lekela Power Holdings hold equity and quasi-equity investments. Among the objectives of constructing the wind farm are to provide electricity to approximately 300,000 households especially in rural areas, to improve energy security, and to diversify the energy mix of Senegal, which mainly relies on heavy fuel.⁴⁵

Research by Lumière Synergie pour le Développement (LSD, Sénégal) and Recourse⁴⁶ revealed that using wind to produce energy has indeed fewer effects on the environment compared to fossil energy sources. However, project affected communities complained about several negative impacts, such as the cumulative effects of the industrial facilities and increased road traffic in the area that the project's access road facilitated. Although MIGA's monitoring report as of April 2024 says that there were no complaints about noise, dust and rocks affecting agricultural fields,⁴⁷ LSD's research indicates that stones and the laterite⁴⁸ did encroach on fields, especially those that were close to the access road. According to LSD, many landowners stated that their fields have become stony and rendered unusable since the construction phase.

Affected communities were also dissatisfied with the lack of transparency and meaningful consultations about the project, and the exclusion of communities neighbouring Taïba N'Diaye who are also affected by the wind farm from compensation and benefits. Although the wind farm is geographically located in Taïba Ndiaye, many of the villages close to the turbines are in the Darou Khoudouss commune. Local residents shared that

it would be important for the project to be more inclusive in its support for communities, since other villages are also affected by the impacts of the project.

Affected communities also cited unfavourable terms and lack of adequate compensation in the process of land acquisition for the wind farm that negatively affected their livelihoods and incomes, which indicate a possible breach of MIGA's Performance Standard 5 on Land Acquisition and Involuntary Resettlement. Women are particularly affected by improper land acquisition and lack of meaningful consultations. Since women often did not own land, they lost their livelihoods on their families' or husbands' lands when these were acquired for the wind farm. According to MIGA, the company helped restore the livelihoods of 20 farmers deemed 'most affected' by permanent loss of farmland and permanent loss of trees and live fences through various compensation schemes. However, project affected peoples told LSD that they were only compensated for their agricultural assets and not their land and felt that the destruction of their livelihoods had not been adequately compensated.

Women's groups including women's associations and NGOs were also consulted and participated in the selection of the livelihood restoration measures. The project also developed women-focused community programmes such as building of market places, processing units for cereals and fruits, and a computer room for students. Waste collection sites which gave jobs to women were implemented, and efficient cooking stoves, fertilisers, and seeds were also distributed. However, women complained about the lack of inclusion in the design and implementation of these projects. LSD's research team held a meeting with several local women's groups, who noted that the support was not inclusive and not necessarily adapted to their needs.

Conclusion

Although MIGA is smaller compared to the other agencies in the WBG, its role has been undoubtedly important in making private investments possible even in environments risky for businesses as well as for human rights. Its role is likely to grow as the G20-informed international architecture reform agenda looks for 'innovative finance' to crowd in private sector investments. But while private investors are protected from various non-commercial and political risks, communities are often left with little or no protection from the environmental and social harms created by the investments guaranteed by MIGA. This goes contrary to the WBG's mission to "end extreme poverty and boost shared prosperity on a livable planet".⁴⁹ The experiences of communities affected by the Myingyan gas power plant in Myanmar, the Bhola gas power plant in Bangladesh, and the PETN wind farm in Senegal illustrate the vulnerability of the public, especially the affected communities, that eventually bear the burden created by these guaranteed investments when private sector is

prioritised and the standards that protect the environment and human rights are not upheld in the project cycle.

Since the release of the External Review report in 2020, MIGA commented that they are working closely with the IFC to address the recommendations by strengthening their internal systems, processes, capacity, training and tools underpinning efficient E&S risk management. They are also working with the IFC on a proposed Remedial Action Framework, which was subject to public consultation in 2023. These actions are a step forward and it would be constructive if MIGA considers the CSO inputs to the Remedial Action Framework⁵⁰ and releases a public document on how the recommendations from the External Review report were addressed. Likewise, the current WBG reform discussion is an opportunity for MIGA to align its policies and activities with the 1.5°C goal of the Paris Agreement by quitting fossil fuel projects and instead channelling funds to facilitate the just energy transition.



Taiba N'Diaye wind farm in Senegal. By Lumière Synergie pour le Développement (LSD, Sénégal).

Towards this, the MIGA must:



Stop insuring fossil fuel projects, including fossil gas. No new guarantees should be issued to new investments in both brownfield and greenfield fossil fuel projects to prevent prolonging the exploitation of fossil fuels. The Joint MDB Methodology on Paris Alignment's universally non-aligned list should include fossil gas and related projects, including upstream, midstream and downstream.



Prioritise small scale, distributed energy projects that ensure renewable energy access for women and communities living in poverty. Ensure that these investments are aligned with the Sustainable Development Goals 5 and 7 and that they uphold and protect the rights of women and the communities they live in. Women should be actively engaged in project development, which means ensuring proportional representation in project-affected community consultations as well as separate women-only consultations.



Ensure transparency and accountability for guaranteed investments, including in renewable energy. Communities should be informed about their right to file a case with the Compliance Advisor Ombudsman (CAO) at the onset of the project. Affected communities should be given information about the CAO and the project-level Grievance Redress Mechanism (GRM) in a manner and language accessible to them, for example during project consultations and on project signs. This should also indicate MIGA's involvement, a link to its E&S protections and how to contact the GRM and CAO.



Ensure that the rights of communities, especially women and other marginalised groups are upheld and protected. Do not issue guarantees to investors and companies with a history of violations, and to projects which are being protested by communities because of their negative impacts. MIGA must ensure that the projects to which they provide guarantees strictly adhere to the performance standards. The agency should also commit to contribute to remedy when it contributes to harm, in line with internationally accepted human rights norms. This can be done including through, but not limited to, (1) exercising its leverage to influence clients throughout the project cycle to ensure remedy for harm, (2) building the capacity of staff to assess project risk and impact, (3) monitoring environmental and social risk throughout the project cycle, and developing remedial action if harm occur, and (4) ensuring the agency has sufficient financial resources of its own to contribute to remedy as needed and requiring that clients establish contingency funds to cover the costs of remedial action.

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