# FY23 MIGA Budget

## Text for Public Disclosure

1. The report entitled "FY23 MIGA Budget" was discussed and recommendations contained therein approved at a meeting of the Board of Directors on June 29, 2022 (MIGA/R2022-0067).

2. In accordance with MIGA's Access to Information Policy, the text has been edited for public disclosure to remove potentially confidential and market-sensitive information. Certain forward-looking projections have been deleted from the public version. Board documents referenced in the text are not publicly disclosed.

3. Questions on this document should be referred to Mr. Santiago Assalini (202-458-5060 or sassalini@worldbank.org) or Mr. Thomas Obudho Obuya (202-458-1768) or tobuya@worldbank.org).

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# FY23 MIGA Budget

## Text for Public Disclosure

July 8, 2022

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## ACRONYMS AND ABBREVIATIONS

| | |
|---|---|
| % | Percent |
| $ | U.S. Dollars |
| $b | U.S. Dollars in billions |
| $m | U.S. Dollars in millions |
| COVID-19 | Coronavirus Disease 2019 |
| CPF | Country Partnership Frameworks |
| EC | Economic Capital |
| ECA | Export Credit Agency |
| EEI | Energy & Extractive Industries Sector |
| EMDE | Emerging Market and Developing Economy |
| E&S | Environmental & Social |
| EVP | Executive Vice President |
| FCS | Fragile and Conflict-Affected Situations |
| FCV | Fragility, Conflict and Violence |
| FDI | Foreign Direct Investment |
| FfD | Financing for Development |
| FINCAP | Financial & Capital Markets Sector |
| FY | Fiscal Year |
| GBV | Gender Based Violence |
| IBRD | International Bank for Reconstruction and Development |
| ICIEC | Islamic Corporation for the Insurance of Investment and Export Credit |
| IDA | International Development Association |
| IEG | Independent Evaluation Group |
| IFC | International Finance Corporation |
| IMF | International Monetary Fund |
| IMPACT | Impact Measurement and Project Assessment Comparison Tool |
| INF | Infrastructure Sector |
| IT | Information Technology |
| ITS | Information Technology Services |
| LIC | Low Income Country |
| MAS | Manufacturing & Agribusiness Sector |
| MDB | Multilateral Development Bank |
| MFD | Maximizing Finance for Development |
| MIC | Middle Income Country |
| MIGA | Multilateral Investment Guarantee Agency, the “Agency” |
| OC | Operating Capital |
| ODA | Official Development Assistance |
| PRI | Political Risk Insurance |
| SBO | Strategy and Business Outlook |
| SDG | Sustainable Development Goals |
| WBG | World Bank Group |

# 1. INTRODUCTION AND EXECUTIVE SUMMARY

*This document presents MIGA's FY23 Administrative and Capital Budget requests for the Board of Directors' approval. The proposed Administrative budget builds on the Strategic Directions set out in MIGA's Strategy and Business Outlook FY21-23 (MIGA FY21-23 SBO) and the Strategy and Business Outlook Update for FY22.*

## 1.1 EXECUTIVE SUMMARY

1. ***MIGA continues to play its part in delivering the World Bank Group's twin goals.*** During FY21-23, MIGA is targeting deeper impact through an increase in the proportion of guarantees in IDA Countries and Fragile and Conflict-Affected Situations (FCS) and guarantees in support of Climate Finance.

2. ***MIGA has issued guarantees totaling $6.5 billion as part of its COVID-19 response.*** Since April 2020, MIGA has issued $6.5 billion in new guarantees under its COVID-19 response program. In response to the sustained client uptake, MIGA Management obtained the Board's approval to extend the program until the end of FY23 and to increase the facility amount to $10-12 billion.

3. ***MIGA's strategic approach in FY23 will include support for Ukraine.*** In FY23, MIGA will continue to pivot back toward supporting more FDI and real sector projects, with a focus on green, resilient, and inclusive development (GRID). The Agency will continue to support smaller projects in IDA Countries and FCS and deepen its work on climate change and gender. At the same time the Agency will develop a guarantee program to support Ukraine, and other countries affected by the war in Ukraine.

4. ***COVID-19 continued to have a significant impact on the Administrative Budget utilization.*** MIGA forecasts a FY22 Administrative Budget utilization of approximately $60.5 million (93% of the Board-approved FY22 Administrative Budget), reflecting a $4.8 million or 7% underrun. Of this underrun, $2.7 million is directly attributed to COVID-19 restrictions, including $2.5 million unutilized travel budget.

5. ***MIGA remains financially sustainable, efficient and cost effective.*** MIGA's risk capital to operating capital ratio stood at 63.6% as of March 31, 2022, demonstrating sufficient capacity to support the existing portfolio and new business. MIGA's Administrative Expenses-to-Net Premium Income (NPI) ratio is projected to be 52% in FY22. With the forecast resumption of business and expected higher budget utilization in FY23, MIGA expects this ratio to increase to 57-58% range, but remaining below the 60% Management-approved cap.

6. ***MIGA is proposing an Administrative Budget of $71.2 million for FY23.*** MIGA requests a 9% nominal increase in the Administrative budget for FY23, including a 3.5% or $2.3 million net real increase. The net real increase is required to fully fund the annual cost ($4.8 million) of the 23 additional headcount approved as part of the FY22

Administrative Budget, but partially budgeted for in FY22 based on the projected onboarding dates.

## 1.2 FY23 BUDGET RECOMMENDATIONS

**7.** ***Management seeks Board approval of the MIGA FY23 Budget.*** Management seeks the Board of Directors' approval of MIGA's FY23 Administrative Budget of $71.2 million and Capital Budget of $3 million ($2.5 million for IT Modernization over the FY23-25 Cycle and $0.5 million for Facilities).

## 2. STRATEGIC CONTEXT AND BUSINESS OUTLOOK

*This section outlines MIGA's FY21-23 strategic context and business outlook and the related updates and addresses progress in delivering the strategy and MIGA's COVID-19 response.*

### 2.1 STRATEGIC CONTEXT

**8.** ***FY23 marks the final year of MIGA's FY21-23 SBO.*** MIGA ("the Agency") is committed to playing its part in delivering the World Bank Group's twin goals and supporting the World Bank and IFC in meeting their capital package commitments. The FY21-23 Strategy and Business Outlook ("Deepening Impact") targets MIGA delivering on average between US$5.5 and US$6.0 billion per annum in guarantees, while increasing its proportion of guarantees in IDA Countries and Fragile and Conflict-Affected Situations (FCS) to 30-33%. MIGA is also committed to meeting the World Bank Group target of at least 35% Climate Finance support on average over the FY21-25 period.

In FY23, the Agency will continue the pivot back toward supporting more FDI and real sector projects and supporting public private partnerships. This will include a greater balance between the Non-Honoring and Political Risk Insurance products. The Agency will continue mobilizing private investments focused on the Green, Resilient and Inclusive Development (GRID) agenda through deepening our work on climate resilience, climate finance and progress toward full Paris alignment. Tackling inclusion will be strengthened through our work on gender equality and continued implementation of the Impact Measurement and Project Assessment Comparison Tool (IMPACT) framework. The Agency will continue to support smaller projects in IDA Countries and FCS, including supporting energy access through mini-grid systems.

### 2.2 BUSINESS OUTLOOK

**9.** ***The war in Ukraine and the lingering effects of the COVID-19 pandemic are impacting FDI.*** Foreign Direct Investment (FDI) into emerging markets and developing economies fell significantly following the onset of COVID-19, exacerbating a long-term decline. While there was some re-bound of FDI in 2021, the war in Ukraine is expected to lead to a further reduction of FDI into emerging economies.

## 2.3 MIGA's COVID-19 AND UKRAINE RESPONSE

10. ***Client demand under MIGA's COVID-19 response program remains strong.***

The COVID-19 pandemic rapidly changed the strategic landscape for the Agency, with FDI declining precipitously along with the broader project finance and Public Private Partnership (PPP) markets. As MIGA's guarantee operations are demand driven, the Agency's 'traditional' support for FDI/PPPs declined commensurately. Consequently, the Agency pivoted its program to support the World Bank Group COVID-19 response. Demand from clients and host countries for support under MIGA's COVID-19 Response Program remains strong, although support under the Program is less as a percentage of total issuance in FY22 so far (41%) than in FY21 (67%). Such a declining trend is likely to continue into FY23 barring any new global variants which once again cause economic disruption. In addition to enabling the delivery of a substantial COVID-19 response in FY21 and FY22, the Agency has invested resources for the post-COVID era with a focus on an integrated approach to promoting a strong and durable recovery and growth through GRID.

11. ***MIGA is developing a response program for Ukraine and other affected economies.***

The entire global economy is experiencing the effects of the war in Ukraine through slower growth, trade disruptions, and steeper inflation, harming especially the poorest and most vulnerable. MIGA is preparing a response package as part of the wider "World Bank Group Response to Global Impacts of the War in Ukraine: A Proposed Roadmap", discussed at the Development Committee during the 2022 Spring Meetings. Current thinking is for the Agency to provide guarantees in Ukraine immediately and in the longer term, with the support of donor funds. Other affected countries will be supported through a mix of products; political risk insurance, non-honoring and trade finance – as appropriate. MIGA will prepare a paper for the Board on its planned program for Ukraine and other affected countries in due course.

## 2.4 DELIVERING THE FY21-23 STRATEGY

12. ***MIGA will continue to pursue delivery of the strategy through innovation, partnerships and WBG collaboration.***

In FY23, MIGA will continue to pursue delivery of the program through the pillars detailed in the FY21-23 Strategy and Business Outlook. Product innovation will be crucial, given the evolving nature of risks faced by our clients and the limited size of the FDI market. Innovations continue across a number of areas including distributed generation, carbon markets, local currency guarantees and regulatory capital. Partnerships with other Multilateral Development Banks, bilateral Development Finance Agencies and Export Credit Agencies, continues apace. The agency has also now established the MIGA Strategic Priorities Program (MSP) as a common framework under which it will administer all four of its trust funds. Deeper engagement with World Bank and IFC continues through the country engagement process and is now enhanced through the Country Climate and Development Reports.

## 2.5 CHANGING BUSINESS LANDSCAPE & COST PRESSURES

**13.** ***Additional resources are necessary to implement the MIGA FY21-23 Strategy.*** The FY21-23 SBO identified the need for a real administrative budget increase of 5% over the FY22-23 period, with the additional resources (primarily increased staff headcount) required to meet the challenges of implementing the strategy, involving a greater number of projects and a larger and more complex portfolio. Additional staff, approved as part of the FY22 Administrative Budget, are also needed to meet the enhanced mandate requirements as agreed with the Board. Section 4 provides more detail on the staff headcount increase approved in FY22.

## 2.6 FY24-26 ROAD AHEAD

**14.** ***MIGA's next three-year strategy will be for Fiscal Years 24-26.*** The formulation of MIGA's next three-year strategy will be inclusive of all key stakeholders: shareholders, clients, staff and others. Emerging themes in the medium-term are the centrality of addressing climate change through resilience and enhanced sustainability; ever greater focus on the poorest countries which attract so little investment; gender and other inclusion-focused issues; jobs and economic transformation; and supporting all emerging economies to help those most affected by the war in Ukraine and other conflicts across the globe. This Strategy and Business Outlook will drive the resource requirements for the three years from FY24–26.

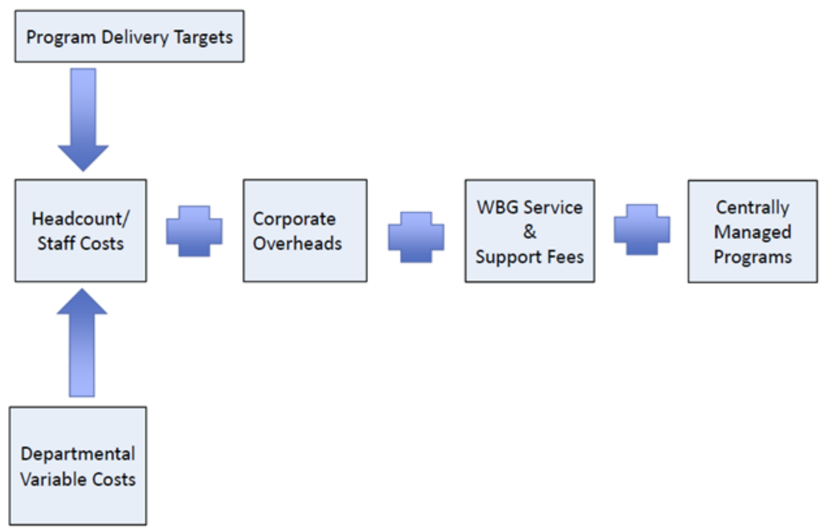
## 3. FY23 BUDGET FORMULATION

*This section presents MIGA's approach to FY23 Budget Formulation and discusses MIGA's staff planning, the evolution of its staff complements and the Agency's global footprint.*

### 3.1 FY23 BUDGETING PROCESS

**15.** ***MIGA uses a combination of "top-down" and "bottom-up" approaches to formulate its annual Administrative Budget.*** MIGA followed the "W" process in completing its FY23 detailed budget planning through a combination of a centrally implemented "top-down" and Departmental "bottom-up" approach (see **Figure** *1*). Driven by planned program delivery, the top-down approach was applied to determine: (i) Staffing requirements to deliver the FY21-23 Strategy, (ii) MIGA's Corporate Overheads, WBG Service & Support fees under shared service agreements and the costs of centrally managed programs. Departmental bottom-up estimates were then utilized for the variable costs associated with work program implementation. The combined result forms the basis of MIGA's consolidated resource requirements.

**Figure 1. MIGA's Approach to Budgeting**




**16.** ***FY23 Administrative Budget continues to reflect COVID-19 related savings included in FY22 Budget.*** FY23 Administrative Budget proposal considers the extent to which the COVID-19 related restrictions have impacted operational spend and includes a reduction in prospective travel and meeting-related expenses, based on current expectations of a return to a 'new normal' work pattern.

## 3.2 GLOBAL FOOTPRINT

17. ***MIGA's staff location decisions are informed by the Agency's business model, with the primary focus on serving its clients effectively and efficiently.*** MIGA's pipeline development is a function of matching investment funding opportunities with investment destinations in host countries. Consequently, MIGA's business model supports having a core team of staff based in headquarters in Washington, DC., complemented by regional hubs. Considering all the approved headcount during FY22, MIGA's current staff complement includes approximately 10% staff based in the regional hubs. MIGA's Africa Hub is led by a Senior staff based in Nairobi, Kenya to advance MIGA's interest in serving Africa and IDA/FCS client countries. Additionally, MIGA is in the process of hiring a Senior Environmental and Social Development Specialist to be based in Dakar, Senegal to support projects in Africa and IDA/FCS client countries.

## 4. FINANCIAL SUSTAINABILITY AND COST EFFICIENCY

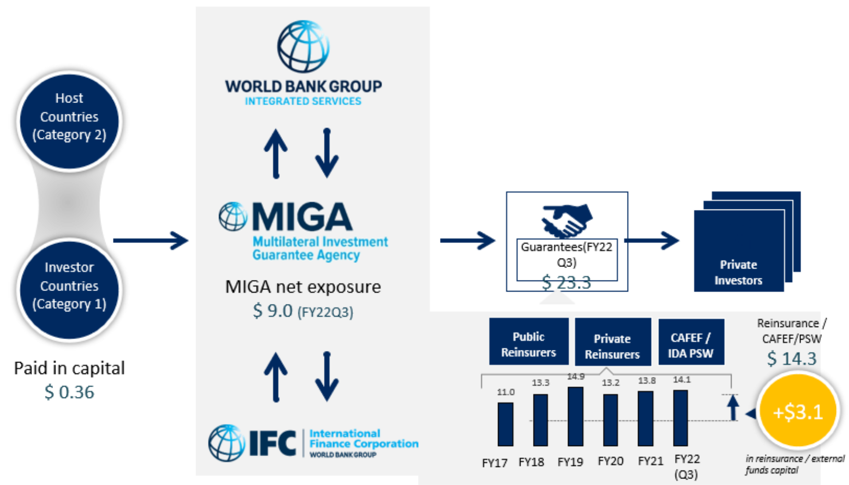
*This section assesses MIGA's use of reinsurance for prudent capital management and its track record of cost containment to sustain cost efficiency.*

### 4.1 MIGA's OPERATIONAL MODEL

**18.** ***MIGA continues to optimize the use of its capital to deliver value and impact.***

Instead of requesting additional capital from its shareholders, MIGA has made effective use of the reinsurance markets to draw in private sector capital to support its projects (See **Figure 2**). The level of reinsurance per transaction is based on MIGA's country headroom capacity and the project's risk – ensuring an optimal use of MIGA's capital.

**Figure 2. Financial Capacity Leveraged by MIGA Guarantees ($b)**

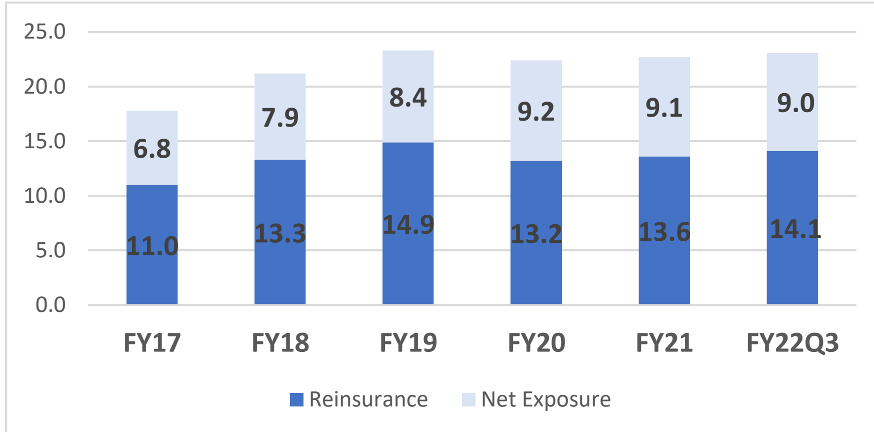



### 4.2 CAPITAL MANAGEMENT

**19.** ***Reinsurance capacity has been a key enabler of MIGA's prudent capital management***.

*Reinsurance:* Consistent with the strategy to deploy reinsurance to preserve capital to fund growth, especially in priority areas, MIGA's portfolio reinsurance level has increased over the last five years in absolute and relative terms. As of end-FY22 Q3, MIGA's exposure to reinsurers totaled $14.1 billion, representing 60.5% of its gross guarantee exposure, well within the 70% Board-approved limit (see **Figure 3)**.

**Figure 3. Gross Exposure and Portfolio Reinsurance Level FY17-FY22Q3 ($b)**



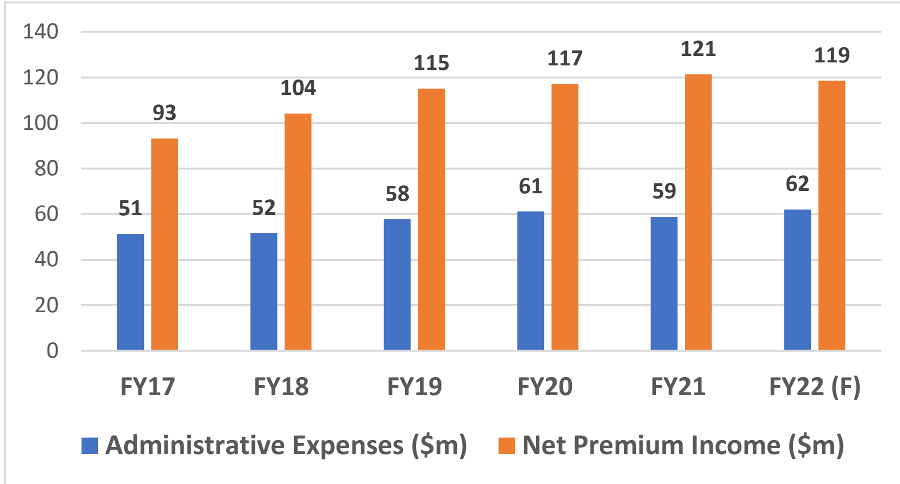

*Capital utilization*: The Agency's capital utilization ratio (represented by Total Economic Capital as a percentage of Operating Capital) stood at 43% as of March 31, 2022, reflecting the use of reinsurance for prudent capital management. This reflects MIGA's ability to support not only existing exposures but also further portfolio growth over the medium-term.

## 4.3 ADMINISTRATIVE EXPENSES COVERAGE

**20.** ***MIGA is financially sustainable with Net Premium Income (NPI) comfortably covering its Administrative Expenses.***

Operating Income, represented by the excess of NPI over Administrative expenses, is projected to increase from $42 million in FY17 to an estimated $57 million in FY22. Over the same period, NPI is projected to increase by 28% compared to a 22% growth in Administrative expenses (see Figure 4**4**).

**Figure 4. Administrative Expenses and Net Premium Income ($m)**

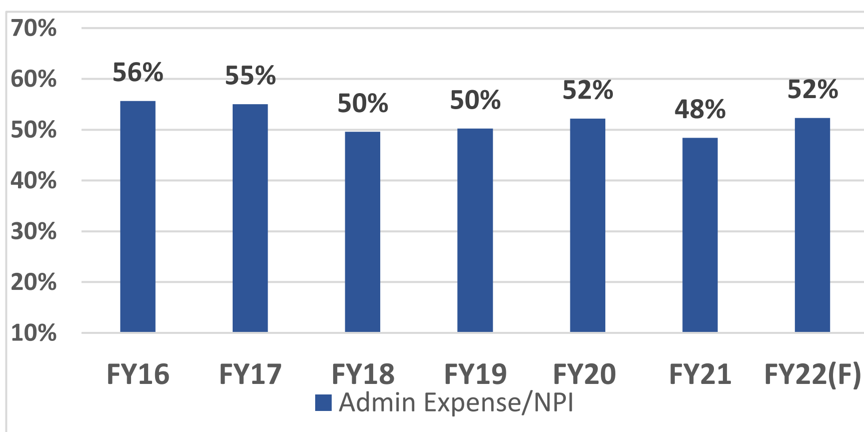



## 4.4 COST EFFICIENCY

21. ***MIGA's commitment to cost efficiency is reflected in the close focus it places on its budget anchor.***

Over the last six years, the Administrative Expense-to-Net Premium Income ratio has declined from 56% in FY16 to a projected 52% in FY22 (see **Figure** 5**5**). The decline from 52% in FY20 to 48% in FY21 principally reflects the impact of lower budget utilization due to the impact of COVID-19 restrictions. Overall, the long-term decline in the ratio reflects the combined effect of higher net premium income from a growing portfolio and contained growth in administrative expenses.

**Figure 5. Administrative Expenses-Net Premium Income (NPI) Ratio**




22. ***Administrative Expenses-to-NPI ratio is expected to remain below the 60% cap.***

Despite the growth in budgetary resources during the FY22-23 period, the Administrative expenses-to-NPI ratio is expected to remain below the 60% Management-set cap, owing to the offsetting impact of the projected growth in net premium income. With the forecast resumption of business and expected higher budget utilization in FY23, MIGA expects this ratio to increase to the 57-58% range, but remaining below the 60% Management-approved cap.

## 4.5 COST OF DOING BUSINESS ANALYSES (CODB)

**23.** ***Robust CODB Analysis is instrumental for allocation of resources and helping determine future resource requirements.***

MIGA's CODB information incorporating the FY18-21 period data is based on an overarching framework, which enables reporting of costs by strategic priority areas, by regions and by sectors. However, considering that MIGA's operations are mainly driven by investors interests and therefore are not organized by region, additional data over a few more years will help the Agency derive meaningful inferences. Similarly, at the sectoral level, the inferences are skewed by the effect of outlier data associated with the varying sizes of projects and, therefore, additional years of information is warranted to stabilize the data.

The framework provides the basis for determining cost per project, cost to deliver $1m of new business and the related cost coefficients by Strategic Priority area.

The summary data in **Table 1** shows the following two CODB indicators, based on the average costs over the FY18-21 period:

(1) *New Business costs per $1m of New Issuance and per project and cost coefficients by strategic priority area.* This metric combines origination activities (business development efforts) and Project execution activities (covering the project lifecycle from receipt of application through signing of the Contract) and includes allocated indirect and overhead costs.

(2) *Portfolio management costs per $1m of Gross Insurance portfolio and per project and cost coefficients by strategic priority area*. This metric reflects the average annual spend in supervisory activities of the Guarantee portfolio and active projects. It includes allocated indirect and overhead costs and therefore measures the full cost of Portfolio activities.

**Table 1. Cost of New Business & Portfolio Management across Strategic Priority Areas**

| Average across FY18-21 | New Business | | | | Portfolio Management | | | |
|---|---|---|---|---|---|---|---|---|
| | $m of New Issuance | | Per Project | | $m of Gross | | Per Project | |
| **Average Cost ($)** | **6,841** | | **837,666** | | **396** | | **46,998** | |
| | | | | | | | | |
| **Cost Co-efficients** | | | | | | | | |
| IDA/FCS | 2.1 | X | 1.3 | X | 1.8 | X | 1.4 | X |
| Climate Finance | 2.3 | X | 0.8 | X | 1.1 | X | 0.6 | X |
| Non-IDA/FCS | 0.7 | X | 0.8 | X | 0.6 | X | 0.7 | X |

**New Business CODB Indicator:**

While it costs MIGA $6,841 on average for every $1m of New Business, this cost is 2.1 times greater for IDA Countries/FCS and 2.3 times greater for Climate Finance transactions. MIGA spends $837,666 on average for every New Business project, while the average New Business cost in IDA Countries/FCS is 1.3 times the average cost per project.

**Portfolio Management CODB Indicator:**

While Portfolio Management costs MIGA $396 on average for $1m of Gross Guarantee Portfolio, this cost is 1.8 times greater in IDA Countries/FCS and 1.1 times greater for Climate Finance transactions. MIGA spends $46,998 on average for every project in the Agency's Gross Guarantee Portfolio, while the average New Business cost in IDA Countries/FCS is 1.4 times the average cost per project.

**24.** ***Increasing focus on Strategic Priority areas and higher compliance requirements are resource intensive.***

Of the 40 projects supported in FY21, 85% addressed at least one of the strategic priority areas, namely, IDA-eligible countries, FCS and Climate Finance. Of the gross outstanding exposure as of end-FY21, 33% was in IDA-eligible countries, 12% in FCS and 29% related to Climate Finance, reflecting MIGA's strong commitment to these strategic priority areas, which are also resource intensive as evidenced by the results of CODB analysis.

The inference value of the four years (FY18-21) of data incorporated into the CODB analysis is lessened by various factors such as the initial years' data lacking the cost from previous fiscal years of projects in pipeline, deepened focus in IDA Countries/FCS, the impact of Covid-19 related restrictions on work program delivery costs and the increasing costs of compliance and supervision. Such a variability impacts the ability to draw reliable inferences from the results of the analysis. MIGA expects to refine the CODB analysis over time as additional years of data are incorporated and the averages even out to mute the effect of outlier data. Additional years of data will also enhance the analytical and inferential value of the CODB information for application in formulating future resource requirements.

## 5. ADMINISTRATIVE BUDGET

*This section presents details of MIGA's FY23 Administrative Budget proposal, indicative allocation of resources and the FY22-23 Administrative Budget Trajectory.*

### 5.1 FY23 ADMINISTRATIVE BUDGET

**25.** ***MIGA committed to a 5% increase in budgetary resources over the FY21-23 Strategy period.***

MIGA projected an overall 5% real increase in its Administrative Budget over the FY21-23 period to support planned operational scale-up and supervision for impact needs, while also focusing on Climate finance and innovative product applications.

**26.** ***Management is proposing an Administrative Budget of $71.2 million for FY23.***

Following a 0% real increase in FY21 and 0.8% real increase in FY22, MIGA Management proposes a total Administrative Budget of $71.2 million (3.5% real increase, 9% nominal increase) for FY23 compared to the FY22 Board-approved budget of $65.3 million (See **Table 2**).

The net real increase is required to fully fund the annual cost ($4.8 million) of the 23 additional headcount approved as part of the FY22 Administrative Budget, but partially budgeted for in FY22 based on the projected onboarding dates.

**Table 2. FY23 Administrative Budget Request ($m)**

| | FY22 Approved Budget | *% of Total Budget* | FY23 Budget Request | *% of Total Budget* |
|---|---|---|---|---|
| **Fixed Costs** | **46.1** | ***70%*** | **50.4** | ***71%*** |
| Staff Costs | 39.5 | *61%* | 43.2 | *61%* |
| IT and Communications | 3.7 | *6%* | 4.1 | *6%* |
| Depreciation | 0.4 | *1%* | 0.5 | *1%* |
| Equipment and Building | 2.4 | *4%* | 2.6 | *4%* |
| **Variable Costs** | **13.2** | ***20%*** | **13.6** | ***19%*** |
| Consultants and Temps | 2.8 | *4%* | 3.1 | *4%* |
| Travel | 3.2 | *5%* | 3.4 | *5%* |
| Representation & Hospitality | 0.3 | *0%* | 0.3 | *0%* |
| Contractual Services | 4.6 | *7%* | 5.2 | *7%* |
| Other Costs | 2.3 | *3%* | 1.6 | *2%* |
| **WBG Service & Support Fees** | **6.1** | ***9%*** | **7.2** | ***10%*** |
| **TOTAL ADMINISTRATIVE BUDGET** | **65.3** | ***100%*** | **71.2** | ***100%*** |

Note* A CPI adjustment factor of 5.3% has been applied in determining FY23 nominal budget, based on the IMF's projected U.S. CPI movement, as reported in the World Economic Outlook

27. ***COVID-19 related travel reductions have been factored into the FY23 Administrative Budget.*** In formulating the FY23 Administrative Budget, MIGA has retained the $1 million COVID-19 related travel reductions considered in FY22 Budget allocation. These reductions will be reviewed and evaluated in the context of "new normal" business resumption.

28. ***Staffing hiring plans and related funding reflect cost redeployments and savings.*** FY22 hiring plans included 23 additional headcount approved as part of the FY22 Administrative Budget to deliver the COVID-19 Response Program, support the growing number of projects per annum and a larger portfolio to supervise, as well as to address the costs associated with enhanced compliance requirements. The FY22 net real increase of $0.5 million reflected staff costs associated with the 23 additional headcount (an annual cost of $4.8 million, but partially budgeted for in FY22 based on estimated onboarding dates), offset by other reductions including COVID-19 savings. As noted previously, FY23 net real increase of $2.3 million reflects the impact of partially annualizing the cost of the 23 additional headcount approved in FY22.

Over the FY21-23 period, the total annual cost of 35 additional MIGA-funded headcount (11 in FY21, 23 in FY22 Budget Requests and 1 additional headcount in FY23) amounts to $7.6 million, compared to the $2.8 million related net real increase over the same period. The $4.8 million difference represents funding from cost redeployments, effect of lower Staff Pension Plan contributions, and savings allocations, including COVID-19 related savings. These adjustments have enabled MIGA to contain real budget increases over FY21-23 to within the 5% real increase commitment to the Board.

29. ***Resources allocated to Operations-related activities account for 62% of the total resources.*** The proposed FY23 Administrative Budget functional attribution is broadly in line with that of FY22, demonstrating the continued focus in allocating resources to support Operations-related activities (See **Table 3**).

**Table 3. FY23 Administrative Budget Request: Functional Attribution ($m)**

| Details | FY23 Budget allocation | As a % of Total Budget | FY22 Budget allocation | As a % of Total Budget |
|---|---|---|---|---|
| **Operations:** | | | | |
| Project Origination | 11.9 | 17% | 11.2 | 17% |
| Project Execution | 17.5 | 25% | 15.3 | 23% |
| Portfolio Management | 15.3 | 22% | 13.2 | 20% |
| **Operations - Total** | **44.6** | **62%** | **39.6** | **60%** |
| **Investment Management** | 1.1 | 2% | 1.0 | 2% |
| **Operations Support Functions** | 25.5 | 36% | 24.6 | 38% |
| **Total** | **71.2** | **100%** | **65.3** | **100%** |

## 5.2 ALIGNING RESOURCES TO STRATEGIC PRIORITIES

**30.** ***MIGA continues to focus on allocating resources to the strategic priority areas.***

As part of the FY21-23 strategy cycle, MIGA continues to focus on enhancing development impact by growing gross issuance and guarantees in IDA/FCS countries and Climate finance. To achieve this commitment, MIGA will continue to leverage World Bank and IFC partnerships to increase the number of projects it supports particularly in climate finance and aligning its financing flows with the WBG's Climate Change Action Plan for FY2021-2025. It continues to innovate within its operations and is committed to identifying opportunities to increase gender actions aligned with the three strategic pillars: corporate, client engagement and partnerships. MIGA's engagement and response to COVID-19 crisis has been substantial and will continue even as the crisis eases, and economies recover from the pandemic. MIGA will also actively engage in responding to the impacts of the war in Ukraine and will work with Development partners to provide the necessary funding to reconstruct the financial and infrastructure needs of the region.

**31.** ***MIGA continues to focus on allocating resources to the strategic priority areas.***

MIGA has further operationalized the Gender Strategy Implementation Plan, through actions across our designated three strategic pillars: corporate, client engagement, and partnerships. The program leveraged the World Bank and IFC trainings, experiences and lessons learned on identifying gender opportunities and managing risks in the private sector operations starting with setting the context for the foundational work done on MIGA's Gender Strategy Implementation Plan. These introductory sessions were followed by technical sessions on the business case for gender, the inclusion rating uplift methodology for development impact, gender and climate change, and MIGA's gender flag process.

*Risk identification and management*: MIGA conducted capacity building sessions providing an overview on the importance of addressing GBV in private sector operations and identifying and managing GBV risks for MIGA's environmental and social specialists. The capacity building training on GBV is being supplemented with GBV overview sessions at the sector levels for MAS, INF, FINCAP, EEI and the Legal team. As part of the Accelerate Equality initiatives and building on sharing knowledge in collaboration with the WB and the IFC, MIGA presented its innovation on gender explaining how MIGA has innovated to deliver gender interventions through its capital optimization product working with our financial institution clients in a webinar entitled: Gender-Smart Investing: Private Sector Approaches to Advancing

Gender Equality, as well as showcasing the nexus between Climate and Gender at this year's Gender Leadership Award.

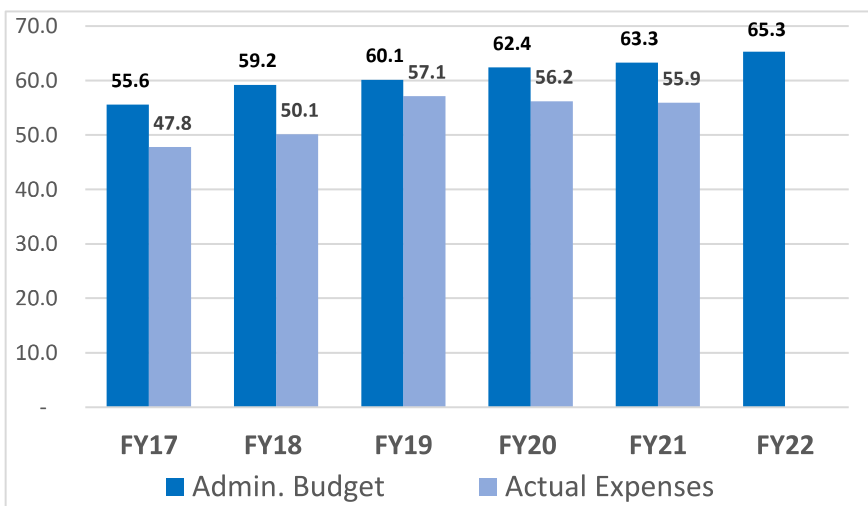
*Indicators*: As management discussed with the Board in July 2021, given the emerging nature of MIGA's work on gender, MIGA did not plan to have gender implementation indicators during this first three-year strategy period. Going forward, as part of the development of MIGA's next three-year strategy cycle, we will review the appropriateness of gender indicators as part of a holistic approach to MIGA's strategy implementation planning. The gender unit in MIGA now comprises a Senior Social Policy Specialist, two additional experienced staff on secondment, a dedicated consultant, as well as an engagement with a specialist on GBV who has supported the gender team's launch of MIGA's GBV project risk rating tool.

## 5.3 FY17-22 ADMINISTRATIVE BUDGET TRAJECTORY

**32.** ***Over the last five fiscal years, MIGA has maintained strict budget discipline, with small real budget increases in in 3 years only.***

Over the FY17-22 period, MIGA requested: (a) a 4% real increase in FY18 for operationalizing the IDA Private Sector Window, increasing WBG collaboration including through the Cascade approach and to build capacity for Climate Finance, (b) a 1.7% real increase in FY20 for capacity building across the Agency and (c) a 0.8% real increase in FY22 aligned with FY21-23 SBO. (See **Figure 6)**

**Figure 6. FY17-22 Administrative Budget Trajectory ($m)**



## 5.4 FY22-23 ADMINISTRATIVE BUDGET TRAJECTORY

**33.** ***MIGA has contained its FY21-23 budgetary resource to within 5% committed to the Board.*** MIGA projected an overall 5% real increase in its Administrative Budget over the FY21-23 Strategy period to support the operational scale-up and supervision for impact needs, while also focusing on Climate finance and innovative product applications. As noted previously, following a 0% real increase in FY21 and 0.8% real increase in FY22, MIGA Management proposes a 3.5% real increase for FY23 (See **Table 4**).

**Table 4. FY22-23 Administrative Budget Trajectory ($m)**

| | FY21 * | FY22 * | FY23 # |
|---|---|---|---|
| FY22-23 Budget Trajectory (Nominal) | 63.3 | 65.3 | 71.2 |
| % Change YOY (Nominal) | 1.4% | 3.1% | 9.0% |
| % Change YOY (Real) | 0.0% | 0.8% | 3.5% |
| Notes: | | | |
| * Board Approved Budget | | | |
| # Proposed Budget | | | |

## 5.5 MIGA's TOTAL ADMINISTRATIVE RESOURCES

**34.** ***External Funds remain an immaterial component of MIGA's total Administrative Resources.*** External Funds constitute a very small but essential component of MIGA's total Administrative Resources.

Over the FY20-21 period, MIGA's usage of External funds represented between 1-2% of the Agency's total resources but are estimated to increase to 3-4% during FY22 and FY23 (See **Table 5)**. These External Funds are integrated into MIGA's Budget formulation process and are shown as a reduction in determining the Agency's annual Administrative Budget request.

**Table 5. FY20-23 MIGA's Total Administrative Resources ($m)**

| Source of Funds | | FY20 | FY21 | FY22 | FY23 |
|---|---|---|---|---|---|
| **Administrative Budget** [1] | **A** | **62.4** | **63.3** | **65.3** | **71.2** |
| | | | | | |
| **External Funds:** | | | | | |
| **a. Trust Funds:** | | **0.8** | **0.8** | **1.0** | **1.3** |
| | | | | | |
| **b. Reimbursements:** | | | | | |
| Reimbursement from Clients | | 0.4 | 0.0 | 0.3 | 0.4 |
| Other Reimbursements | | 0.2 | 0.2 | 0.6 | 0.8 |
| | | **0.6** | **0.2** | **0.9** | **1.3** |
| | | | | | |
| **Total External Funds** [/2] | **B** | **1.4** | **1.0** | **1.9** | **2.6** |
| | | | | | |
| **Total Administrative Resources** | **A + B** | **63.8** | **64.3** | **67.2** | **73.8** |
| | | | | | |
| **External Funds as a % of Total Administrative Resources** | | **2.2%** | **1.6%** | **2.9%** | **3.5%** |

*Notes: 1 - Approved Budget for FY20-22 & Proposed Budget for FY23*

2- Estimated for FY22 & FY23 and actual for the prior FYs.

## 5.6 CARRYOVER POLICY

***35. MIGA Management will inform the Board through the Quarterly EVP Report in the event of accessing funds in FY23 from the projected FY22 underrun.***

In FY10, the Board approved MIGA's carryover policy[1], giving the Agency the flexibility to carry forward an underrun against its annual spending authority (up to a maximum of 5% of total Administrative budget) from one fiscal year to the next.

As discussed previously, MIGA expects to underrun its FY22 Board-approved Administrative budget by about 7%, largely attributable to the impact of COVID-19 on budget utilization. While MIGA does not plan to invoke the carryover policy in connection with its FY23 resource requirements, should MIGA need to access funds from its FY22 underrun (capped at $3.2 million**,** representing 5% of the FY22 board-approved budget) during FY23, MIGA's Management will inform the Board through the quarterly EVP Report.

[1] *Memorandum to the Board of Directors*, March 17, 2010 (MIGA/R2010-0013).

## 6. CAPITAL BUDGET

*This Section provides details on MIGA's Capital budget proposal.*

MIGA's capital budget principally funds Information Technology (IT) needs, as well as office facilities.

### 6.1 INFORMATION TECHNOLOGY

***36. MIGA requires a $2.5m Capital Budget for the FY23-25 Cycle.***

MIGA follows a three-year capital budget cycle for internal IT needs. The last IT capital budget request for the FY20-22 period totaling $2 million was approved as part of the FY20 Budget Request Paper in June 2019; further a supplemental capital budget of $0.5m to cover additional work program was approved as part of the FY22 Budget Request paper in June 2021.

MIGA estimates that a Capital Budget of $2.5 million will be required for the next phase of MIGA Systems Upgrade and Migration covering the FY23-25 Cycle. The MIGA IT Modernization Project aims to modernize and rebuild the MIGA Portal, MIGA Guarantee System, MIGA Data and Reporting platforms to address technology risk and user experience. As part of this phase, the project aims to rebuild and replace current MIGA Guarantee System (MGS) and MIGA Data warehouse system with a modern, robust and scalable system developed on the cloud-platform leveraging emerging technology solutions. Further it aims to align with the Project ARIA initiative to replace the SAP ERP platform by transitioning custom solutions built on SAP out of the legacy environment

The objective of the MGS and MIGA Portal Modernization project is to transition them to a modern cloud-based platform that is safe, secure, and scalable; and that leverages new technologies, capabilities, and approaches to improve staff productivity and increase institutional agility and responsiveness. MIGA BI Reporting solution is MIGA's primary platform for financial reporting and is used by front-line teams and finance teams for reporting of state of financial and operational status of the Agency. These reports provide information on new business, portfolio information and several key financial indicators.

MIGA typically does not make capital contributions to World Bank Group projects such as the transition from LIBOR and ERP system replacement. MIGA instead contributes via depreciation, which is reflected in future Administrative Budgets.

## 6.2 OFFICE FACILITIES AND EQUIPMENT

***37. MIGA requests a renewal of the Capital budget for facilities approved in FY20 of $0.5m.***

As part of MIGA's field office co-location arrangements with the World Bank and IFC, the Agency sometimes contributes to a portion of the related capital costs, if such amounts exceed the minimum threshold for capitalization. Additionally, there are occasional needs for selective reconfiguration of the existing office space in headquarters to respond to space needs, combined with the replacement of ageing communication equipment. MIGA seeks to request for a capital budget of $0.5m, equivalent to the one approved in FY20 and which remains unutilized.