FY24 MIGA Budget

Text for Public Disclosure

1. The report entitled "FY24 MIGA Budget" was discussed and recommendations contained therein approved at a meeting of the Board of Directors on June 27, 2023 (MIGA/R2023-0070).

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 also 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. Thomas Obudho Obuya (202-212-9213 or tobuya@worldbank.org).

Distribution:
Executive Directors and Alternates
President
Bank Group Senior Management
Vice Presidents, Bank, IFC and MIGA

FY24 MIGA BUDGET

Text for Public Disclosure

July 17, 2023

TABLE OF CONTENTS

TABLES

FIGURES

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
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 FY24 Administrative and Capital Budget requests for the Board of Directors' approval. The proposed budget requests build on the Strategic Directions set out in MIGA's Strategy and Business Outlook (MIGA SBO).

1.1. EXECUTIVE SUMMARY

1. *MIGA continues to play its part in delivering the World Bank Group's (WBG) twin goals.*	During FY24, MIGA will focus on green, resilient and inclusive development to deliver on the WBG twin goals. The emphasis on IDA countries, gender, fragile and conflict-affected situations (FCS) and guarantees in support of climate for adaptation and mitigation – will remain.
2. *MIGA has issued guarantees totaling $9.1 billion as part of its COVID-19 response.*	Since April 2020, MIGA has issued $9.1 billion in new guarantees through March 31, 2023 under its COVID-19 response facility against the Board-approved amount of $10-12 billion. The facility will expire at the end of FY23.
3. *MIGA's strategic approach in FY24 includes support for Ukraine.*	In FY24, MIGA will continue its program to support Ukraine, and other countries affected by Russia's invasion of Ukraine. The Agency now has a dedicated trust fund for Ukraine, which helps leverage its own resources and those of reinsurers.
4. *The lifting of COVID-19 restrictions has improved MIGA's Administrative Budget utilization.*	MIGA forecasts a FY23 Administrative Budget utilization of approximately $69.3 million (97% of the FY23 Board-approved Administrative Budget), reflecting a $1.9 million or 3% implied underrun. Staff costs contribution to the projected underrun, attributable to the effect of lower than budgeted actual staff benefit rate and delays in filling existing vacancies, is partially offset by forecast overruns in other cost categories principally consultants.
5. *MIGA remains financially sustainable.*	MIGA's risk capital to operating capital ratio stood at 60.2% as of March 31, 2023, demonstrating sufficient capacity to support the existing portfolio and new business.
6. *MIGA remains cost effective despite the inflation-related cost increases.*	MIGA's Administrative Expenses-to-Net Premium Income (NPI) ratio is projected to be 56% in FY23, unchanged from FY22, and remaining below the 60% Management-determined cap, despite the impact of recent inflationary cost increases.
7. *MIGA is proposing an Administrative Budget of $75.8 million for FY24.*	MIGA requests a 6.4% nominal increase in the Administrative Budget for FY24, including a 2.9% or $2.1 million net real increase. The real increase is required to primarily fund the additional headcount associated with (1) deeper engagement with One WBG and the Cascade to enhance business development; and (2) the need

to strengthen Gender strategy implementation and other support functions given MIGA's growing guarantee portfolio.

1.2. FY24 BUDGET RECOMMENDATIONS

8. ***Management seeks Board approval of the MIGA FY24 Budget.*** Management seeks the Board of Directors' approval of MIGA's FY24 Administrative Budget of $75.8 million and a Supplemental Capital Budget of $1.5 million to support the Agency's business process automation and simplification efforts.

9. ***Management proposes replacing the existing Carryover Policy with a Flexibility Band Mechanism.*** Management also seeks the Board of Director's approval of the Agency's proposed replacement of the existing Carryover Policy with a -/+3% Flexibility Band, allowing for an annual budget overrun by up to 3%, if warranted, with appropriate Board communications.

2. STRATEGIC CONTEXT AND BUSINESS OUTLOOK

This section summarizes MIGA's Strategy and Business Outlook, with a focus on FY24.

2.1. STRATEGIC CONTEXT

10. ***MIGA has made strong progress on its core strategic goals.*** Over the FY21–23 period, MIGA sustained its new guarantee issuance and successfully deepened impact in the priority areas of IDA countries and Fragile and Conflict-affected Situations (IDA/FCS), climate finance, and gender. Strong risk management including on pre-claims management was maintained. This is critical for MIGA's continued access to reinsurance markets and underpins its highly efficient and effective business model. The Agency also delivered significant development impact with strong results from the ex-ante Impact Measurement and Project Assessment Comparison Tool (IMPACT) and ex-post independent evaluations.

11. ***MIGA is fully integrated into the WBG Evolution discussions.*** MIGA believes it is well positioned to respond to many of the emerging themes of the WBG Evolution process: greater private capital facilitation; enhanced use of guarantees; working at the national, regional, and global levels; Global Priority Programs; and enhancing the One WBG and Cascade approaches. A parallel and integrated engagement continues regarding the G-20's recommendations from its Independent Review of Multilateral Development Banks' Capital Adequacy Frameworks, one of which pertains specifically to MIGA. Until these processes are complete and MIGA is able to develop a costed plan in response, the Agency will focus on continuing to deepen its impact and build on the progress made over FY21-23 period.

2.2. BUSINESS OUTLOOK

12. ***The global economic outlook is challenging.*** The macroeconomic backdrop for MIGA's operations is extremely challenging. Global growth is expected to fall to 1.7% in 2023 reflecting synchronous policy tightening aimed at containing high inflation, worsening financial conditions, and continued disruptions from the Russia's invasion of Ukraine. The combination of slow growth, tightening financial conditions, and heavy indebtedness is likely to weaken investment and trigger corporate defaults.

13. ***FDI is once again declining.*** Because MIGA's primary purpose is to support foreign direct investment (FDI), which is under extreme pressure, the outlook for the Agency's core market is weak. FDI has trended downward since the 2008–09 Global Financial Crisis. A significant decline occurred in 2021 because of the COVID-19 pandemic. While FDI rebounded in 2022, the prospects for 2023 are once again poor for the reasons outlined above. The challenge goes beyond FDI, however. Overall investment growth has been projected to average just 3.5% per year in Emerging Markets and Developing Economies (EMDEs)—below the long-term average rate. Debt, in contrast to FDI, has rapidly increased in EMDEs (especially sovereign debt), partly because of the policy response to COVID-19. Total debt among EMDEs is at a 50-year high.

2.3. FY24 FOCUS AND DELIVERY

14. ***The SBO continues the progress made on deepening impact while also responding to the unfolding global crises.***

The strategic focus in FY24 will be on delivering on the twin goals and supporting the SDG goals through: (i) Ensuring inclusive growth, both by geographic location and group; and (ii) Responding to global challenges, such as sustainability, climate change mitigation and adaptation, addressing pandemics, and tackling fragility. Following developments in the WBG Evolution process, the SBO will be adjusted accordingly.

15. ***As FDI flows into EMDEs continue to stagnate, MIGA will continue the push to grow its pipeline through (a) innovation, (b) an enhanced Cascade approach, and (c) partnerships.***

FDI into emerging markets and developing economies (EMDEs) remains broadly flat. The Agency therefore will continue to look to expand its impact through: (i) Increased product innovation and new product applications; (ii) Ever-closer collaboration with the World Bank and International Finance Corporation (IFC); and (iii) Enhanced financial capabilities through actionable partnerships with other multilateral development banks (MDBs), development finance institutions, and export credit agencies. This effort will include follow-up on the recommendations from the G-20 Capital Adequacy Frameworks report and consideration of MIGA's ability to deliver on its core mandate.

3. FY24 BUDGET FORMULATION

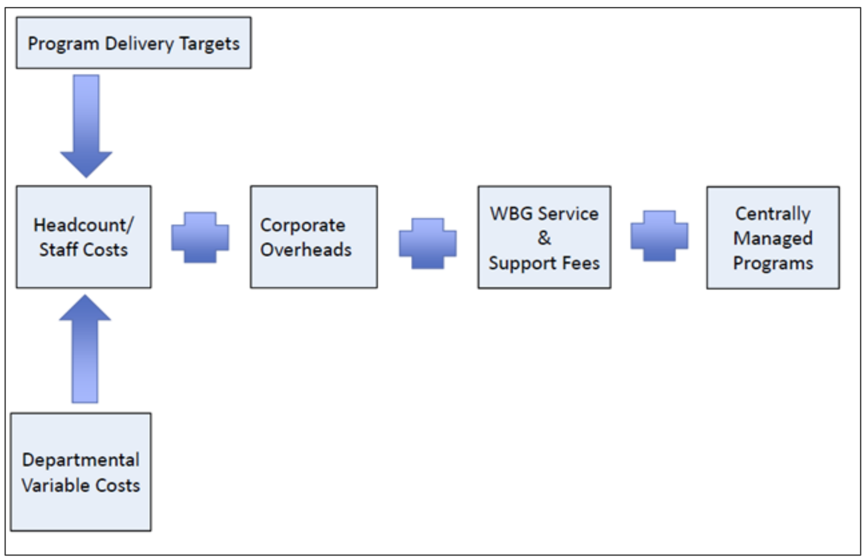
This section presents MIGA's approach to FY24 Budget Formulation and discusses MIGA's staff planning, the evolution of its staff complement and the Agency's global footprint.

3.1 FY24 BUDGETING PROCESS

16. *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 FY24 budget formulation through a combination of a centrally-implemented "top-down" and a 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 Strategy for FY24, and (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



17. *FY24 Administrative Budget continues to reflect COVID-19 travel-related savings included in FY23 Budget.*

FY24 Administrative Budget proposal upholds the reductions in spending considered in the FY23 Budget compared to pre-Covid-19 travel levels of budget allocation. While the plan for reduced travel spending relative to the pre-COVID-19 level continues in FY24, the prospect of this assumption translating into permanent savings for the Agency will be reviewed in the context of the rising average cost of travel.

3.2 GLOBAL FOOTPRINT

18. ***MIGA plans to revisit its footprint strategy.***

MIGA's pipeline development is a function of matching investment funding opportunities with investment destinations in host countries. Consequently, the Agency's business model supports having a core team of staff based in Washington, DC, complemented by regional presence. As of April 30, 2023, 20 (11%) of MIGA's staffing complement are regional-based, with plans to strategically redeploy some of the Washington, DC-based staff to the field during FY24.

Going forward, the Agency will more actively and deliberately leverage WB's and IFC's greater staff presence in country offices to structure solutions where MIGA can usefully participate.

Looking to FY25-26, any headcount increases will be derived from an enhanced or expanded role for MIGA, which comes from the WBG Evolution process. Therefore, as the Agency moves forward, it is envisioned that there will be a need to place additional staff in country offices, so that MIGA can better coordinate with WB and IFC, and clients to identify specific ways for MIGA to add value and deliver impact. MIGA will revisit its global footprint strategy, taking account of the outcome of the WBG Evolution discussions.

4. FINANCIAL SUSTAINABILITY AND COST EFFICIENCY

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

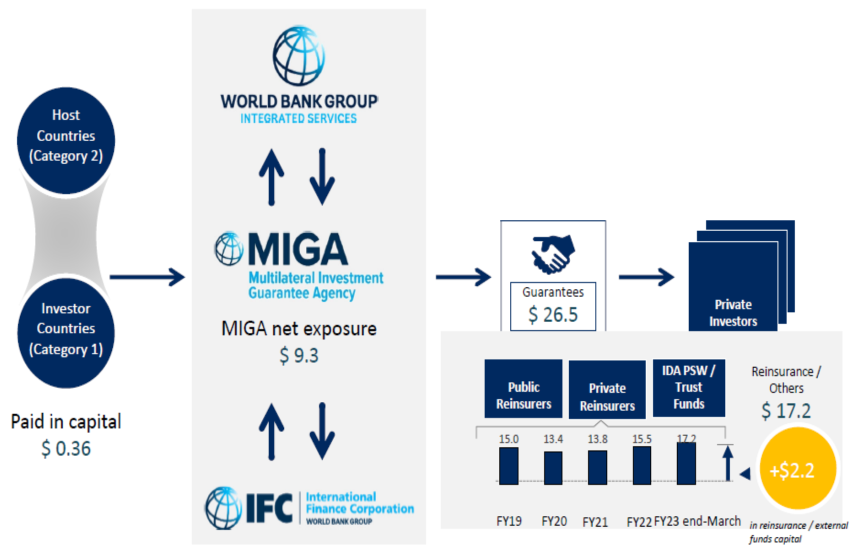
4.1 MIGA'S OPERATIONAL MODEL

19. *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 as of Mar 31, 2023 ($b)

Figures in USD Billions

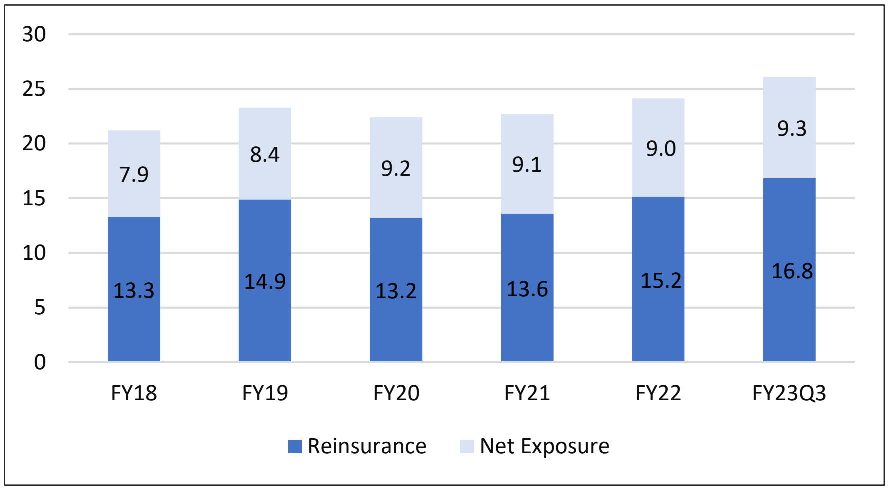


4.2 CAPITAL MANAGEMENT

20. *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 March 31, 2023, MIGA's exposure to reinsurers (treaty and facultative) totaled $16.8 billion, representing 63.6% of its gross guarantee exposure (see **Figure 3**). While the overall reinsurance rate has increased from 62% as of June 30, 2022, MIGA Management remains aware of the need to contain this ratio well within the 70% Board-approved limit.

Figure 3. Gross Exposure and Portfolio Reinsurance: FY18-FY23 Q3 ($b)



Note: Portfolio reinsurance relates to exposures ceded to Treaty & Facultative reinsurers only.

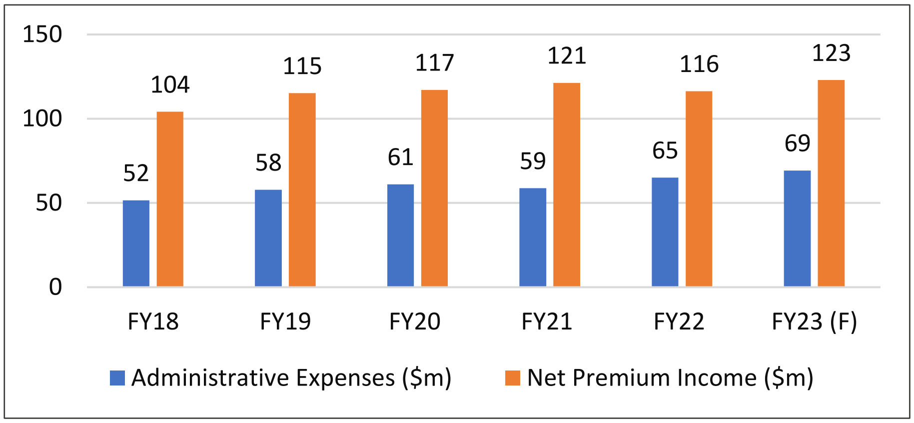
Capital utilization. The Agency's capital utilization ratio, represented by Total Economic Capital (EC) as a percentage of Operating Capital (OC) stood at 41% as of March 31, 2023, reflecting the use of reinsurance for prudent capital management. This reflects MIGA's ability to support not only existing exposures but also further portfolio growth over the medium-term. MIGA's Risk Capital (RC) metric, a comprehensive capital adequacy metric defined as the total EC plus buffer capital and expressed as a percentage of OC, stood at 60% as of March 31, 2023. This is well below the established inner and outer limits of 80% and 85%.

4.3 ADMINISTRATIVE EXPENSES COVERAGE

21. ***MIGA is financially sustainable with Net Premium Income (NPI) remaining considerably above its Administrative Expenses.***

Operating income, represented by the excess of NPI over Administrative expenses, is projected to be $54 million in FY23, comparable to the level six years earlier. This reflects a combination of modest NPI growth of 18% over the FY18-23 period compared to the projected 33% increase in Administrative expenses over the same period. The more than proportionate increase in Administrative expenses reflects the impact of headcount growth needed to support various aspects of a changing work program, attributable to a growing and increasingly complex portfolio, and, more recently, higher inflation rates. Conversely, NPI has been relatively stable despite a growing portfolio as a result of cancellations and lower-priced guarantee issuance (See **Figure** *4*).

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



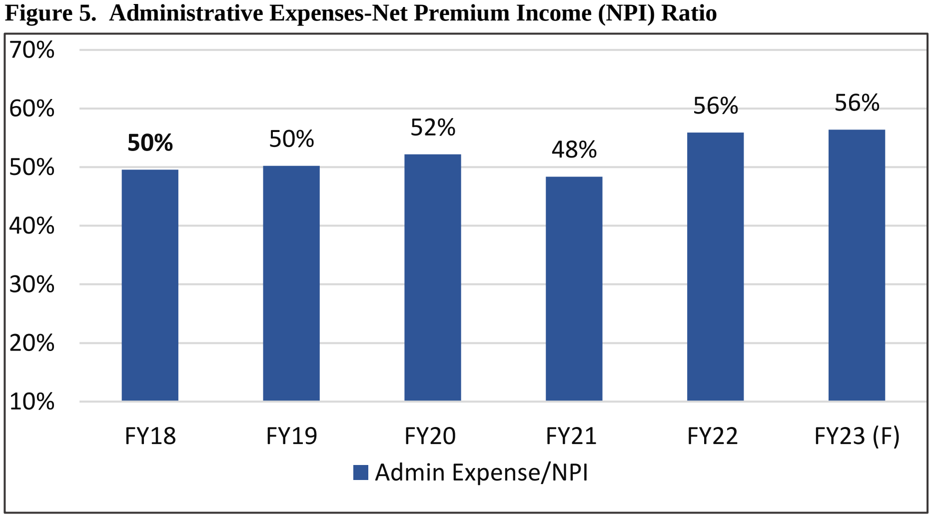
4.4 COST EFFICIENCY

22. ***Planned Staff headcount growth and rising inflation, without a corresponding rise in NPI, is the primary reason for the uptick in MIGA's Budget anchor during the FY22-23 period.***

Over the FY18-21 period, the Administrative Expense-to-Net Premium Income ratio ranged between 48-52%, with the FY21 ratio of 48% primarily reflecting the COVID-19 restriction impact on variable costs (such as travel expenses) in the first full year of pandemic-related lockdown.

The combined effect of lifting COVID-19 restrictions in FY22, and planned growth in headcount and heightened inflation without a corresponding increase in NPI, resulted in the Administrative expenses-to-NPI ratio trending upwards to 56% in FY22 and is expected to remain at the same level in FY23. The impact of significant inflation-related cost increases in FY23 is muted by the projected NPI growth of 6%, compared to a 4% year-on-year NPI decline in FY22 (see **Figure 5**).

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



Effective FY23, MIGA has prospectively changed the Administrative Expenses basis used for the budget anchor calculation from accounting basis expenses to budget basis expenses to: (a) align with the WB and IFC, and (b) eliminate non-cash adjustment relating to amortization of Pension Plans-related Unrecognized Actuarial Losses, which has no bearing on cost efficiency.

23. *Administrative Expenses-to-NPI ratio (Budget anchor) is expected to remain below the 60% cap in the near-term.*

Despite the growth in budgetary resources and higher inflation during the FY22-23, the Administrative expenses-to-NPI ratio is expected to remain below the 60% Management-set cap in the medium-term, attributable to the offsetting impact of the projected growth in net premium income, including the impact of FY23 new business volume.

4.5 COST OF DOING BUSINESS ANALYSIS (CODB)

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

MIGA's CODB information using FY18-22 data is based on an overarching framework which enables reporting of costs by strategic priority areas, by regions and by sectors. However, as MIGA's operations are driven mainly by investors' interests and therefore not organized by region, the resulting data is not considered meaningful. Similarly, at the sectoral level, the inferences are skewed by the effect of outlier data associated with the varying sizes of projects.

Nonetheless, 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 FY18-22 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 (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 Exposure 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 and includes allocated indirect and overhead costs.

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

Average across FY18-22	New Business				Portfolio Management			
	$m of New Issuance		Per Project		$m of Gross Exposure		Per Project	
Average Cost ($)	**7,193**		**825,184**		**389**		**44,269**	
Cost Co-efficients								
IDA/FCS	1.9	X	1.1	X	1.9	X	1.4	X
Climate Finance	2.2	X	0.8	X	1.1	X	0.6	X
Non-IDA/FCS	0.7	X	0.9	X	0.6	X	0.7	X

New Business CODB Indicator

While it costs MIGA $7,193 on average for every $1m of New Business, this cost is 1.9 times greater for IDA Countries/FCS and 2.2 times greater for Climate Finance transactions. MIGA spends $825,184 on average for every New Business project, while the average New Business cost in IDA Countries/FCS is about 10% higher than the average cost per project.

Portfolio Management CODB Indicator

While Portfolio Management costs MIGA $389 on average for $1m of Gross Guarantee Portfolio, this cost is 1.9 times greater in IDA Countries/FCS and 1.1 times greater for Climate Finance transactions. MIGA spends $44,269 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.

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

Of the 54 projects supported in FY22, 85% addressed at least one of the strategic priority area, namely, IDA-eligible countries, FCS and Climate Finance. Of the gross outstanding exposure as of end-FY22, 36% 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.

26. ***MIGA expects to refine its CODB analysis with additional years of data.***

The inference value of the five years (FY18-22) 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 over the FY21-22 period and the increasing costs of compliance and supervision.

While the initial five years provide some meaningful and consistent references, MIGA expects further refinement with the addition of a few more years of data to align with the IFC's 7-year averages. Additionally, the longer averages will even out and mute the effect of outlier data.

5. ADMINISTRATIVE BUDGET

This section presents details of MIGA's FY24 Administrative Budget proposal, indicative allocation of resources and the FY23-24 Administrative Budget Trajectory.

5.1 FY24 ADMINISTRATIVE BUDGET

27. ***FY24 will be a year of transition for MIGA under MIGA FY24-26 SBO.***

MIGA starts the FY24-26 Strategy Cycle after a strong delivery against the FY21-23 Strategy. Many of the concepts which form part of discussions on the WBG Evolution speak to MIGA's role and business model. These concepts include Private Capital Finance, One WBG and the Cascade, the power of guarantees as a development tool, Global Priority Programs, and utilizing MIGA's financial model for overall capital efficiency. Until that process is complete and MIGA is able to develop a costed plan to respond to specific proposals in the WBG Evolution, the Agency will focus on continuing to deepen its impact and build on the progress made over FY21-23, in FY24.

28. ***Management is proposing an Administrative Budget of $75.8 million in FY24.***

Management proposes an Administrative Budget of $75.8 million (2.9% real increase, 6.4% nominal increase) for FY24 compared to the FY23 Board-approved budget of $71.2 million (See **Table 2**).

The proposed real increase of 2.9% ($2.1 million) will predominantly fund additional headcount associated with: (1) deeper engagement with One WBG and Cascade to enhance business development; and (2) the need to strengthen evaluation and other support functions given MIGA's growing guarantee portfolio.

Table 2. FY24 Administrative Budget Request ($m)

	FY23 Approved Budget	*% of Total Budget*	FY24 Budget Request	*% of Total Budget*
Fixed Costs	**50.6**	***71%***	**54.0**	***71%***
Staff Costs	43.3	*61%*	45.8	*60%*
IT and Communications	4.1	*6%*	4.7	*6%*
Depreciation	0.5	*1%*	1.0	*1%*
Equipment and Building	2.6	*4%*	2.5	*3%*
Variable Costs	**13.4**	***19%***	**13.8**	***18%***
Consultants and Temps	3.1	*4%*	3.4	*4%*
Travel	3.4	*5%*	3.4	*4%*
Representation & Hospitality	0.3	*0%*	0.2	*0%*
Contractual Services	5.2	*7%*	5.1	*7%*
Other Costs	1.5	*2%*	1.7	*2%*
WBG Service & Support Fees	**7.2**	***10%***	**8.0**	***11%***
Total Administrative Budget	**71.2**	***100%***	**75.8**	***100%***

Note: A CPI adjustment factor of 3.4% has been applied in determining FY24 nominal budget, based on the IMF's projected U.S. CPI movement, as reported in the World Economic Outlook.

29. ***Staff Costs account for more than 50% of the nominal budget increase.***

Staff Costs associated with the impact of 3 MIGA-funded additional headcount, as well as annual structural adjustment, account for $2.5 million or 54% of the total requested nominal Administrative Budget increase of $4.6 million (See ***Table* 3**).

Table 3. FY24 Incremental Resource Needs ($m)

Incremental Staff Costs		**2.5**	**54%**
Other Increases (Decreases):			
WBG Service and Support Fees	0.8		
IT and Communications	0.6		
Depreciation	0.5		
Consultants and Temps	0.3		
Others, net	(0.1)		
Total Other increase in Resources		**2.1**	**46%**
Total nominal increase in Resources		**4.6**	**100%**
Of which:			
Real Increase in Budget @ 2.9%	2.1		
Price Factor Adjustment @ 3.4%	2.5	**4.6**	

Of the proposed 8 additional headcount, 5 require no additional budgetary resources as they are funded via the WBG Donor-Funded Staffing Program (DFSP) or by trust funds.

Consultants and Temps budget increase of $0.3 million includes $0.2 million Consultants costs for potential backfilling support needs relating to MIGA's Development Assignment Program.

30. ***COVID-19 related travel reductions have been factored into the FY24 Administrative Budget.***

In formulating the FY24 Administrative Budget, MIGA has retained the $1 million COVID-19 related travel reductions considered in FY22 and FY23 Budget allocations from the pre-COVID-19 levels. The reduction will be reviewed and evaluated further in the context of the "new normal" business resumption.

31. ***Resources allocated to Operations-related activities account for 62% of the total resources.***

The proposed FY24 Administrative Budget functional attribution is broadly in line with that of FY23, demonstrating the continued focus in allocating resources to support Operations-related activities (See **Table 4**).

Table 4. FY24 Administrative Budget Request: Functional Attribution ($m)

Details	FY24 Budget allocation	As a % of Total Budget	FY23 Budget allocation	As a % of Total Budget
Operations:				
Project Origination	14.4	19%	11.9	17%
Project Execution	16.4	22%	17.5	25%
Portfolio Management	16.5	22%	15.3	22%
Operations - Total	**47.3**	**62%**	**44.6**	**62%**
Investment Management	1.2	2%	1.1	2%
Operations Support Functions	27.3	36%	25.5	36%
Total	**75.8**	**100%**	**71.2**	**100%**

5.2 ALIGNING RESOURCES TO STRATEGIC PRIORITIES

32. *MIGA continues to focus on allocating resources to the Strategic priority areas.*

In FY24, MIGA aims to continue its focus on enhancing development impact by scaling up gross issuance and guarantees in IDA/FCS countries as well as Climate Finance. To achieve this commitment, MIGA will continue to leverage World Bank, IFC, other MDBs and donor community 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 2021-2025. The Agency continues to explore new products and innovate within its operations and is committed to identifying opportunities to increase gender impact. MIGA's engagement and response to COVID-19 crisis has been successful and will build along these capabilities to actively respond to other emergencies including the geopolitical crisis in Eastern Europe and will work with Development partners to provide the necessary funding to reconstruct the financial and infrastructure needs of the affected regions.

Table 9 provides range-based estimates of the intended allocation of FY24 operational resources based on the number of projects expected to be closed in each of the priority areas for MIGA to achieve its stated development objectives.

Table 5. Indicative Resource Allocation to Strategic Priorities Areas

By Priority Area	Estimated Resource Allocation FY23	Indicative Resource Allocation FY24
IDA & FCS	58% - 60%	58% - 60%
Climate Finance	48% - 50%	48% - 60%

[1/] IDA/FCS and Climate finance projects are not mutually exclusive as MIGA can undertake Climate finance projects in all client countries, and not just in IDA and FCS countries.
[2/] Non-operational resources (institutional, governance and administrative resources including WBG shared service and support costs) are excluded from the resource allocation in the table.
[3/] Management expects the allocation of resources to Climate Finance to increase considerably in FY24 in support of the commitment to have 85% of new guarantees aligned with the objectives of the Paris Agreement effective July 1, 2023.

33. *MIGA continues to focus on Gender as part of the projects it supports.*

MIGA's Gender Strategy Implementation Plan (GSIP FY21-23) builds on the foundational principle that the private sector plays a critical role in mobilizing capital and generating opportunities for women, girls, men and boys, and gender and other marginalized groups. MIGA identifies opportunities for increased gender actions aligned with the three strategic pillars of the GSIP: corporate, client engagement, and partnerships. Delivery under MIGA's GSIP has been strong.

MIGA's second Gender Strategy Implementation Plan (GSIP 2.0) for FY24-26 will deliver gender impact through:

- Delivering high-quality gender interventions on projects aimed at narrowing and/or closing gender gaps, while generating knowledge based on lessons learned and a comprehensive monitoring plan. MIGA will build on the success of its work with financial institutions, while gaining greater experience to deliver gender flagged operations in real sector projects; and

- Augmenting gender impacts through systematically leading on gender within the PRI community through sharing best practices and lessons learned.

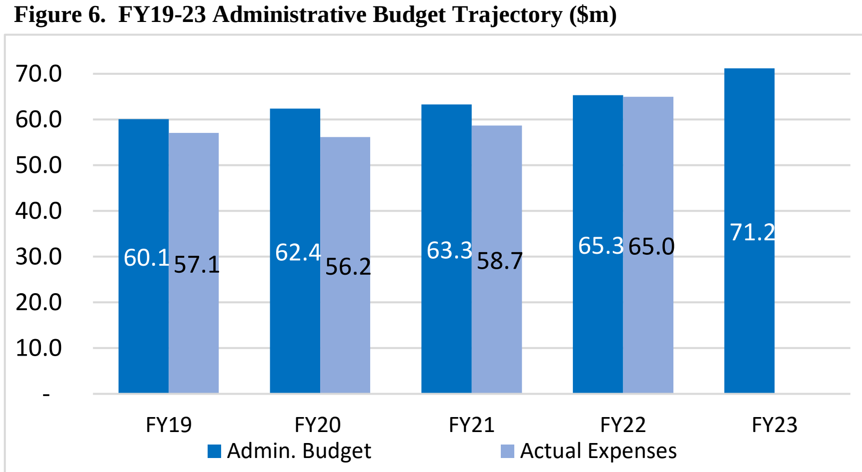
To build on the success of GSIP (FY21-F23) and to capture the opportunities to work with our clients and the PRI community to further mitigate GBV risks and reduce gender gaps, the lack of access to additional staff resources will be a major challenge. The gender unit in MIGA is comprised of a Senior Social Policy Specialist, one additional experienced staff on secondment and two dedicated short-term consultants, as well as ad hoc support from additional consultants when needed. Additional full-time staff would support MIGA's ability to engage with more clients and partners while retaining the high-quality which we aspire for our gender- flagging engagements and begin to operationalize our vision to lead the PRI community on gender, a major objective of GSIP 2.0, and where we see the opportunity to have a system-wide impact on scaling up gender awareness and actions.

5.3 FY18-23 ADMINISTRATIVE BUDGET TRAJECTORY

34. ***MIGA has maintained strict budget discipline, with small real budget increases in recent years.***

Over FY20-23, MIGA requested: (a) a 1.7% real increase in FY20 for capacity building across the Agency, (b) a 0.8% real increase in FY22 and (c) 3.5% real increase in FY23 aligned with FY21-23 SBO (See **Figure 6**). FY23 nominal budget of $71.2 million reflects a 9% nominal increase over FY22, including a 5.3% CPI adjustment factor.

Figure 6. FY19-23 Administrative Budget Trajectory ($m)



5.4 FY23-24 ADMINISTRATIVE BUDGET TRAJECTORY

35. ***After containing the budget growth over the FY21-23 period within the projected budget increase in the SBO, MIGA seeks a 2.9% real increase in FY24.***

To support the operational scale-up and supervision for impact needs, while also focusing on Climate finance and innovative product applications, MIGA had projected a 5% real increase in its Administrative Budget over the FY21-23 Strategy period. The actual requested real increase over the same period was 4.3%, including 3.5% in FY23. MIGA now seeks a 2.9% real increase in FY24 to support business development, Gender Strategy implementation and to enhance MIGA's evaluation function (See **Table 6).**

Table 6. FY23-24 Administrative Budget Trajectory ($m)

	FY23 *	FY24 #
FY23-24 Budget Trajectory (Nominal)	71.2	75.8
% Change YOY (Nominal)	9.0%	6.4%
% Change YOY (Real)	3.5%	2.9%

Notes:

* Board Approved Budget

Proposed Budget

36. ***FY25-26 resource requirements will be determined in FY24.***

As we look to FY25 and FY26, enhancing the One WBG approach and deeper more focused, and more sustained engagement with the broader partners is expected to require additional resources. The budget envelopes for FY25 and FY26 will be determined after the outcomes of the WBG Evolution and any consequential adjustment in strategy.

5.5 MIGA'S TOTAL ADMINISTRATIVE RESOURCES

37. ***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 FY21-23 period, MIGA's usage of External funds ranges between 1.5-2.5% of the Agency's total resources but are estimated to increase to 4% during FY24 (See **Table 7**). 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. The projected growth in FY24 reflects the effect of the establishment of new Trust Funds for Renewable Energy and Catalyst and Fund for Advancing Sustainability and augmented support under Donor Funded Staffing Program.

Table 7. FY21-24 MIGA's Total Administrative Resources ($m)

Source of Funds		FY21	FY22	FY23	FY24
Administrative Budget /1	**A**	**63.3**	**65.3**	**71.2**	**75.8**
External Funds:					
a. Trust Funds:		**0.81**	**0.85**	**0.63**	**2.48**
b. Reimbursements:					
MIGA Guarantee Processing Fees		0.03	0.58	0.33	0.46
Other Reimbursements		0.20	0.24	0.15	0.28
		0.23	**0.82**	**0.49**	**0.74**
Total External Funds /2	**B**	**1.0**	**1.7**	**1.1**	**3.2**
Total Administrative Resources	**A + B**	**64.3**	**67.0**	**72.3**	**79.0**
External Funds as a % of Total Administrative Resources		**1.6%**	**2.5%**	**1.5%**	**4.1%**

Notes:
1. Approved Administrative Budget for FY21-23 and Proposed Administrative Budget for FY24.
2. Estimated for FY23 & FY24, actual for FY21 & FY22.

5.6 BUDGET FLEXIBILITY MECHANISM

38. ***MIGA Management proposes to change the Budget Flexibility Mechanism from the current "Carry Over" policy to a "Flexibility Band"***

In FY10, the Board approved MIGA's Carryover Mechanism[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.

Given the increasing demand for resources and the various uncertainties as discussed in detail in Section 8, MIGA management proposes the replacement of the current Carryover Mechanism with a -/+3% Flexibility Band to align with the World Bank's2 (IBRD and IDA) mechanism and designed to provide the Agency the needed flexibility to respond to unexpected events or budgetary needs not addressable through structural resource requirements currently addressed via base budget increases.

[1] Proposed Budget Carryover Policy for MIGA, *Memorandum to the Board of Directors*, March 18, 2010 (MIGA/R2010-0013).
[2] The World Bank operates on the basis of -/+2% Budget Flexibility Band.

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

39. ***MIGA seeks a $1.5 million Supplemental Capital Budget to be spent in FY24-25 on modernization efforts***

MIGA follows a three-year capital budget cycle for internal IT needs. The last IT capital budget request for the FY23-25 period totaling $2.5 million was approved as part of the FY23 Budget Request Paper in June 2022.

The $2.5 million capital budget allocation for the FY23-25 Cycle is to fund MIGA Portal Modernization Project (Phase 2) & MIGA Data Platform Modernization Project. These projects aim to:

- Modernize and rebuild the MIGA portal to address technology risk and user experience by transitioning to a modern cloud-based platform that is safe, secure, scalable and leverages emerging technologies for select processes.
- Modernize and rebuild the Data warehouse platform and Business Intelligence reports to address technology risk and user experience by transitioning to a modern cloud-based platform
- Align with the Project Aria Initiative to replace SAP ERP platform by transitioning the Portal, one of the largest custom applications built on SAP out of the legacy environment.
- Lay a future-ready digital foundation that will enable subsequent business process changes.

Upon completion, these projects are expected to improve process efficiency, increase business agility and operational effectiveness, and reduce operational risk. Of the initial allocation, $1.3 million has been spent to date, with $1.2 million remaining to be spent.

Following the completion of a recent substantive interim review of the Agency's work program expectations, MIGA management seeks a $1.5 million Supplemental Capital Budget to support additional automation opportunities, namely, (i) Develop and Implement IMPACT assessment framework Dashboard, (ii) Develop and Implement Sustainability Rating Tool and Environmental & Social Insights Dashboard and to (iii) Develop and Implement Integrity Portal – Phase 2.

7. BUDGET-RELATED RISKS AND UNCERTAINTIES

This section discusses the risks inherent in budget construction in the current uncertain and continuously evolving environment.

40. ***Business and budget planning is subject to inherent uncertainties and vulnerabilities, given global uncertainty and heightened inflation***

MIGA's FY24 Administrative Budget request reflects a methodology-driven CPI adjustment factor of 3.4%, based on the CPI factor as published by the International Monetary Fund (IMF) in April 2023. As in the prior assessment, MIGA management considers that areas where faster than average CPI inflation is expected include IT, travel and medical expenses.

41. ***Increasing efforts on Compliance-related requirements***

A policy update went into effect in January 2023 on the use of Intermediate Jurisdictions (IJs) in WBG private sector operations, including all new MIGA project guarantees[3]. The policy update reaffirms MIGA's obligation to ensure that structures in which it is engaged as a guarantor are not being used for illegitimate purposes, including tax evasion, artificial profit shifting or abusive tax practices. MIGA will conduct tax due diligence on transactions using IJs to confirm that structures are aligned with the new policy update.

Additionally, MIGA is on track to align 85 percent of new guarantees with the objectives of the Paris Agreement starting July 1, 2023, and 100 percent starting July 1, 2025.

Support to the sustainability goals of the private sector is expanding beyond climate finance and Paris Alignment to the protection of biodiversity. Biodiversity finance is developing as a rapidly growing area where MIGA believes, as a global political risk insurer in development finance, it can play an active and constructive role.

[3] Use of Intermediate Jurisdictions in World Bank Group Private Sector Operations, issued January 18, 2023.