MULTILATERAL INVESTMENT GUARANTEE AGENCY

STRATEGY AND BUSINESS OUTLOOK: FY21-23

DEEPENING IMPACT

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Glossary

ADB	Asian Development Bank
AfCFTA	African Continental Free Trade Agreement
AfDB	African Development Bank
AIP	MIGA's Access to Information Policy (2013)
CAFEF	Conflict Affected and Fragile Economies Facility
CCAP	Climate Change Action Plan
COVID-19	Coronavirus Disease 2019
CPF	Country Partnership Frameworks
DFI	Development Finance Institution
EBRD	European Bank for Reconstruction and Development
EC	Economic Capital
EC/NE	Economic Capital/Net Exposure ratio
ECOC	Economic Capital/Operative Capital
ECA	Export Credit Agency
EIB	European Investment Bank
EPG	Eminent Persons Group
EMDE	Emerging Market and Developing Economy
E&S	Environmental and Social
ESAP	Environmental and Social Action Plan
ESG	Environmental, Social and Governance
ESRS	Environmental and Social Review Summary
EVP	Executive Vice President
EXIM	Export/Import
FCS	Fragile and Conflict-Affected Situations
FCV	Fragility, Conflict and Violence
FDI	Foreign Direct Investment
FfD	Financing for Development
FY	Fiscal Year
GBV	Gender-based Violence
GHG	Greenhouse Gases
HR	Human Resources
IBRD	International Bank for Reconstruction and Development
ICIEC	Islamic Corporation for the Insurance of Investment and Export Credit
IDA	International Development Association
IDB	Inter-American Development Bank
IDF	Insurance Development Forum
IEG	Independent Evaluation Group
IFC	International Finance Corporation
IMF	International Monetary Fund
IMPACT	Impact Measurement and Project Assessment Comparison Tool
IT	Information Technology
JET	Jobs and Economic Transformation
LIBOR	London Inter-Bank Offered Rate
LIC	Low-Income Country
LTIP	Long-Term Investment Portfolio
MDB	Multilateral Development Bank
MFD	Maximizing Finance for Development
MFI	Multilateral Financing Institutions
MGF	MIGA Guarantee Facility

MIC	Middle-Income Country
MIGA	Multilateral Investment Guarantee Agency, the “Agency”
NDC	Nationally Determined Contribution
NH	Non-Honoring
NHSFO	Non-Honoring of Sovereign Financial Obligations
ODA	Official Development Assistance
OC	Operating Capital
PER	Project Evaluation Report
Performance Standards	MIGA’s Performance Standards on Environment and Social Sustainability
PPP	Public Private Partnership
PRI	Political Risk Insurance
PSW	Private Sector Window
RAP	Results and Performance
SBO	Strategy and Business Outlook
SDG	Sustainable Development Goal
SOE	State-Owned Enterprise
SPG	Summary of Proposed Guarantee
SSA	Sub-Saharan Africa
Sustainability Policy	MIGA’s Policy on Environmental and Social Sustainability (2013)
US$	United States Dollars
WB	World Bank
WBG	World Bank Group

MIGA

Strategy and Business Outlook: FY21-FY23

Deepening Impact

EXECUTIVE SUMMARY

1. ***MIGA is committed to delivering the World Bank Group's twin goals of eradicating extreme poverty and promoting shared prosperity.***

MIGA ("the Agency") is committed to playing its full part in delivering the World Bank Group's twin goals and supporting the World Bank and IFC in meeting their capital package commitments. During FY21-23 MIGA will deliver between US$5.5 and US$6.0 billion in guarantees on average per annum. The Agency will increase its proportion of guarantees in IDA countries and Fragile and Conflict-Affected Situations (FCS) from 25 percent (FY17-19) to 30-33 percent (FY21-23). MIGA also plans to have at least 35 percent of its guarantees in support of Climate Finance on average between FY21 and FY25, as per the WBG target.

2. ***MIGA grew at record levels and delivered significant impact in its previous two strategy cycles.***

In its FY15-17 and FY18-20 strategy cycles, MIGA grew at record levels while managing its risk carefully, including through continued access to reinsurance capacity. It also delivered significant impact as shown by steady increases in its project development outcome success rates. MIGA developed an ex-ante development impact framework (IMPACT) in FY19, drawing upon IFC's AIMM system, and launched this in full in FY20. MIGA is now moving into a new strategy cycle where it can build on these successes.

3. ***MIGA will respond to the COVID-19 pandemic as it pursues its four strategic directions for FY21-23.***

MIGA is now operating in a more difficult macroeconomic environment, especially given the crippling impact of the COVID-19 crisis on the global economy. Although this would traditionally produce a smaller conventional market for MIGA, the Agency intends to repurpose its coverage so it can help client countries cope**.** While the full impacts are difficult to assess at this time, sovereigns, state-owned companies and banks, corporates and SMEs are likely to face credit constraints. The Agency is developing a phased and programmatic approach in response, one that will help with the immediate medical needs and stimulate a post-COVID economy.

In addition, the Agency will have four strategic directions (described in more detail in Section 4) in FY21-23. These are: continuing to serve all client countries while deepening impact in IDA/FCS; continuing to complement market creation through the Cascade approach and the Financing for Development agenda; demonstrating leadership in guarantees and insurance on global issues such as climate change, gender and knowledge/advocacy; and continuing to improve MIGA's robust business model.

4. ***Three imperatives will help MIGA expand its market while supporting the World Bank Group's twin goals.***

MIGA needs to expand its market if it is going to deliver the FY21-23 Strategy. The market for supporting Foreign Direct Investment (FDI) is limited, FDI itself is flat or shrinking and MIGA already has a significant share of its addressable market, especially in its core priority areas. MIGA needs to expand the market in which it operates, especially when delivering impact in IDA/FCS and Climate Finance. The Agency will focus on three areas to do this, all of which will help execute the strategic directions:

i. Increase its innovation and new product applications while paying due attention to the additional risks which these may add to the Agency's portfolio. MIGA is already exploring opportunities for six product application innovations, although they will progress at different speeds and not all will be ultimately scalable for impact.

ii. Closer collaboration with the World Bank and the International Finance Corporation (IFC) to leverage their expanded upstream work, which will generate more investable transactions.

iii. Strengthen actionable partnerships and collaboration with other Multilateral Development Banks (MDBs) and Export Credit Agencies (ECAs) to tackle development challenges through the application of complementary and comprehensive products and solutions.

5. ***Additional resources will be necessary for MIGA to increase issuances and impact.***

The Agency will require additional resources if it is going to be able to increase its average annual issuance and deepen its development impact; efficiency improvements in recent years have likely reached their limit. The planned focus on growth coupled with a greater proportion of new guarantee issuance in IDA/ FCS will significantly increase the number of guarantees underwritten each year. The deeper focus on Climate Finance, building partnerships and the plans to innovate product applications will also require additional resources. In FY21 itself, no real budget increase is proposed. Given the significantly higher costs of operating in IDA/FCS countries and costs associated with new product applications, the planned budget increase for FY22 is 4.8 percent in nominal terms (2.5 percent in real terms), and for FY23 is also 4.8 percent in nominal terms (2.5 percent in real terms). These additional resources are required primarily for new staff positions (and associated office space) and contractual services. Headcount increases are likely to be in line with the five percent administrative budget growth.

6. ***Analyses indicate that MIGA's capital position is sufficient under normal market conditions.***

MIGA's capital position can support the proposed FY21-23 program under normal market conditions, assuming the product mix of Non-Honoring and Political Risk Insurance remain at recent historical trends and the Agency retains a broadly diversified portfolio. Under the base case scenario outlined in this Strategy and Business Outlook (SBO), MIGA's Economic Capital to Operating Capital ratio, which is MIGA's key capital adequacy metric, would increase to 54.0 percent at end FY23 from 46.5 percent at end FY19. However, if reinsurance capacity becomes limited or unavailable entirely, or if large unexpected claims payouts were to occur as a consequence of the new strategy or the anticipated economic stresses, capital utilization could sharply increase. This analysis, and others in this document, were completed before the onset of the COVID-19 pandemic and associated economic disruption and should be interpreted in that context. MIGA is currently conducting a stress test of the portfolio with capital use and other implications given the possible impacts of the COVID-19 pandemic.

7. ***MIGA will continue to invest in its staff, our most crucial asset.***

MIGA's staff are its most crucial asset. The Agency will continue to support staff so they can excel and maximize their full potential. Measures to increase staff engagement and productivity so MIGA can deliver its program include: enhanced training programs; career workshops; and rotational assignments within MIGA and across the World Bank Group (WBG). The Agency will continue to promote a diverse workforce and strive for an EDGE Level 2 certification. The Agency will develop its own Human Resources (HR) strategy that cascades from the WBG HR Strategy for FY20-22.

1. WORLD BANK GROUP'S STRATEGIC DIRECTIONS

This Section provides an overview of implementation of the World Bank Group's (WBG) strategic directions and the alignment of work programs and resources with these directions. It was prepared jointly by the World Bank (WB), International Finance Corporation (IFC) and Multilateral Investment Guarantee Agency (MIGA) and forms a common part of each institution's Strategy and Business Outlook papers.

1.1 STRATEGIC CONTEXT AND DIRECTIONS

1. *The vision for the WBG to deliver on the Twin Goals of eradicating extreme poverty and promoting shared prosperity is under implementation.*

The WBG strategic framework is informed by the vision to deliver on the Twin Goals of eradicating extreme poverty and promoting shared prosperity,[1] and the commitments under the IBRD/IFC capital package, the IDA19 replenishment, the IFC 3.0 strategy and the next three-year MIGA strategy, as well as support critical themes including creating broad-based growth and raising median incomes via broadening access to critical infrastructure such as electricity and clean water, widening the reach of digital financial services, enhancing good governance and the rule of law, promoting growth and development of the private sector, and promoting debt and investment transparency and sustainability, among others.

Complementing the 2018 transformative capital package for IBRD and IFC, shareholders showed strong support for IDA19 which resulted in a historically high replenishment of US$82 billion in December 2019. The WBG is dedicated to fulfilling related policy commitments and to strengthening the business model. Ten years away from the target for delivery of the ambitious 2030 goals and in the context of a challenging external environment characterized by the COVID-19 outbreak and its unfolding impact on development objectives, financial markets and the global economy, the WBG needs to move quickly to implement its agenda. The implementation of the WBG strategic priorities and commitments is therefore the focus of the FY21-23 planning and budgeting cycle. The emphasis is on supporting country programs to achieve good outcomes and strengthening expertise and development impact on global issues, while using resources efficiently and effectively.

[1] As set out in the Forward Look endorsed by the Development Committee at the 2016 Annual Meetings; Forward Look – A Vision for the World Bank Group in 2030 – Main Messages, DC2016-0009, Sept. 20, 2016.

2. ***The WBG has made strong strides in implementing the vision of the Twin Goals, IDA18 and the capital package policy commitments, and the IFC 3.0 strategy.***

IDA18 implementation to date has been strong and transformational and IDA19 will build on these accomplishments. Implementation of the IBRD and IFC capital package policy commitments is on track, providing a solid foundation for reaching the capital package targets over FY19-30. Continuing to fundamentally reshape core elements of its business model, IFC is complementing its traditional approach to financing projects with a new focus on upstream project development and increasing the pipeline of bankable transactions across client countries. MIGA remains in a strong financial position and has developed a new three-year strategy.

Management has provided updates to the Board on the implementation status of commitments under the Forward Look, the IBRD and IFC capital package and IDA18 implementation. More recently, the WBG has developed the following:

- elaborated workforce plans to increase staff field presence and delegation of authority, complemented with changes in the mobility benefits package and adjustments to the career mobility framework to strengthen the link between business needs and staff interests and skills, as well as enhancements to the support systems for staff in field locations. In parallel, IFC also completed a staffing exercise in FY19 to rebalance its grade structure, resulting in approximately 200 staff exits. This has freed up resources for IFC to bring on board needed skills sets, including upstream project development.
- launched a new strategy to support both low and middle-income countries that are dealing with diverse challenges in addressing the drivers and impacts of fragility, conflict and violence and to strengthen their resilience, especially for the most vulnerable and marginalized populations.
- maintained momentum on the Cascade approach, a vital organizational tool to support alignment and sequencing public and private sector actions. WBG sector groups in Agribusiness, Housing, Transport, Power, among others, have worked to develop joint approaches to promoting sustainable private sector solutions. Looking ahead, efforts are ongoing to further embed the Cascade approach in WBG operations, including through the Country Planning Cycle and staff incentives structures.
- strengthened the WB operating model through the realignment of its Practice Group management responsibilities to simplify matrix interactions, and the creation of Two Vice Presidencies for the Africa Region to enhance management attention for a growing work program. IFC has also implemented improvements to its

operational model, with key leadership changes and organizational re-alignments, and on-going efforts to introduce differentiated processing to streamline the project cycle for low risk/complexity projects.

- implemented efficiencies and economies of scale, reflecting a strong start towards fulfilling the IBRD/IFC capital package budget commitments. The efficiency monitoring framework for IBRD and IFC was introduced to the Board in January 2020.
- the WBG has rapidly created a dedicated COVID-19 Fast Track facility to help developing countries address emergency response to, and impact of the coronavirus outbreak. The facility will be a globally-coordinated, country-based response to support health systems and emergency response capacity in developing countries, focused largely on health system response, complemented by support for economic and social disruption.

3. ***The WBG Scorecards are tools for monitoring the Group's results, performance, and implementation of corporate priorities as well as capital package commitments.***

The WBG and individual WB, IFC and MIGA Scorecards provide a snapshot of results and performance in institutional priority areas. They represent the apex annual reporting tools on results and performance of the WBG institutions and are tightly linked to our global and corporate priorities. In FY19, the WB, IFC and WBG Corporate Scorecards indicators were revised, and new Scorecard indicators were introduced to reflect commitments from the IBRD/IFC capital package and alignment with the emerging IDA19 Results Management System (RMS). Management will also prepare an enhanced reporting matrix that tracks the implementation status of the capital package commitments, including both policy actions and implementation progress against agreed targets. It will deliver the next update to the Governors on Forward Look and capital package commitments, combining an integrated narrative with the enhanced reporting matrix with FY20 end-year results, ahead of the 2020 Annual Meetings.

1.2 STRATEGIC ALIGNMENT OF RESOURCES AND WBG INDICATIVE PLANNING TRAJECTORIES

4. ***Through the "W" process, the WBG institutions coordinate their strategic planning, performance monitoring and budgeting processes.***

Alignment with the WBG strategic priorities continues to guide WBG client engagement and its planning and resource allocation process. The annual "W" strategy and planning process serves to align resource allocation with WBG goals and strategy. During this year's discussions, Management identified strategic priorities for FY21-23 to support the delivery of the commitments of the IBRD and IFC capital packages, IDA19 and MIGA's new three-year strategy. These priorities inform the three institutions' resource allocation and budget trajectories.

5. ***Across the World Bank, IFC and MIGA, common themes and shifts have emerged in the strategic planning process.***

Despite serving our clients in different ways, the three institutions follow common themes and are facing similar internal and external shifts. These common threads are (i) a substantial program growth in priority areas as envisaged in the capital package and IDA19, especially in poorer and smaller countries and those affected by fragility, conflict and violence; (ii) a strengthened operating model to simplify matrix interactions, lines of accountability and decision making; (iii) changes in workforce planning, with increased field presence, especially in priority regions, and a shift in grade mix; (iv) a more strategic use of analytical and advisory work at the global, regional and country level; (v) externally driven cost pressures (e.g., transition from LIBOR, ERP system replacement); and (vi) a continued focus on efficiency.

6. ***The WBG institutions are actively pursuing synergies and complementarities.***

The World Bank, IFC and MIGA are working closely together in several areas where synergies and complementarities are being actively pursued, leveraging each other's strengths. In operations, the institutions are complementing and integrating their work in creating markets, and overcoming obstacles that block private sector solutions, jointly managing their work program in six locations, and better coordinating analytical and advisory work, especially for upstream work. They are also coordinating human resource policy changes; maximizing use of available space to accommodate global footprint changes; leveraging economies of scope for services provided by the Bank's IG&A units to the other institutions through a recently agreed shared services framework; integrating work for the transition from LIBOR and ERP system replacement; and jointly working on the efficiency agenda. The recent realignment at the World Bank, IFC's increased focus on working upstream and country-driven budgeting, and MIGA's deepening partnership with the Bank and IFC are complementary and will promote stronger joint program delivery.

7. ***The Strategy and Business Outlook papers set out the WB, IFC and MIGA Business Outlook, planned work programs and budget trajectories for FY21-23.***

The WBG institutions' Strategy and Business Outlook (SBO) papers outline the strategic priorities, business outlook, and planned work programs and provide high-level budget trajectories required to achieve the respective strategic priorities. IFC's SBO paper marks the start of a new three-year strategy reporting cycle from FY21 to FY23 and provides a retrospective of the first three years of IFC 3.0 implementation and a forward look on the next three years. The MIGA SBO presents a new three-year strategy for the institution. In addition, the papers discuss pressure points arising from increasing costs of doing business and the organizational, efficiency and financial sustainability measures being pursued to ensure that the institutions have sufficient resources to successfully implement WBG-wide and institutional priorities.

8. ***World Bank Management is proposing a 1 percent increase in real terms in its administrative budget for FY21.***

Considering strategic priorities and reflecting cost pressures, efficiency efforts, economies of scale and productivity gains, as detailed in the World Bank SBO paper, Management is proposing a budget increase of 3.3 percent in nominal terms or 1.0 percent in real terms[2] for FY21. The largest part of the incremental funding over the period is for the global footprint adjustment, while the second and third largest incremental additions are for funding the IDA19 increased lending, portfolio increase and policy commitments (FY21-23), and the IBRD portfolio increase (FY23). Budget increases planned for FY22 and FY23 are 2.3 percent in nominal terms, or flat in real terms.

Annual Investment Plans (AIP) for Facilities and IT are estimated to remain flat in nominal terms at US$105 million and US$85 million per year respectively for the FY21-23 period. This does not include capital investment for the ERP system replacement for which Management will engage with the Board once further work on the various options is completed, including for any requests for supplemental capital budget for FY21 and after.

9. ***IFC Management is proposing a 2.1 percent increase in real terms in its administrative budget for FY21.***

Considering strategic priorities and reflecting the significant ramp-up in program growth as envisioned in the capital package, IFC Management is proposing an administrative budget increase that averages 4.4 percent in nominal terms (2.1 percent in real terms) per annum over FY21-23. IFC's ongoing work on efficiency gains and economies of scale will help maintain this budget trajectory. The efficiency agenda will focus on cost effectiveness, process reengineering, increase in productivity, workforce structure and effectiveness of operational delivery. These initiatives have a positive impact on the Cost of Doing Business and will generate significant efficiency savings and productivity gains. A shifting of resources to focus regions and sectors has begun and a new initiative focused on the upstream reform has been launched.

Annual Investment Plans (AIP) for Facilities and IT are estimated to remain flat in nominal terms at US$18 million and US$40 million per year respectively for the FY21-23 period.

[2] An estimated deflator of 2.3 percent was applied for the World Bank, IFC and MIGA.

10. ***MIGA Management is proposing a flat real budget for FY21.***

MIGA's SBO for FY21-23 shows declining Foreign Direct Investment and a very challenging economic outlook for MIGA. The ongoing COVID-19 crisis and the related economic fallout would exacerbate the situation. Although this would mean a smaller conventional market for MIGA, the Agency is planning to re-purpose the program to cope with health impacts (e.g. financing for governments) or for financing projects/programs that serve as economic stimulus towards recovery (e.g. infrastructure projects) from COVID. MIGA will continue to address within this program a target to increase impact in IDA/FCS countries and address climate change. In FY21 itself, no real budget increase is proposed. Given the significantly higher costs of operating in IDA/FCS countries and costs associated with new product applications, the planned budget increase for FY22 is 4.8 percent in nominal terms (2.5 percent in real terms), and for FY23 is also 4.8 percent in nominal terms (2.5 percent in real terms).

2. MIGA'S BUSINESS OUTLOOK

2.1 MACROECONOMIC OUTLOOK

2.1.1 The macroeconomic outlook that is the backdrop for MIGA's operations is challenging. Global growth had been projected at 2.5 percent in 2020, just above the post-crisis low registered last year and the balance of risks is to the downside – witness the rapid spread of the COVID-19 virus in 2020 which will lower global growth below 2.5 percent considerably. Productivity growth in emerging and developing economies has slowed down sharply since the global financial crisis, despite the largest, fastest, and most broad-based accumulation of debt since the 1970s.[3]

2.1.2 MIGA's primary purpose is supporting Foreign Direct Investment, which is under extreme pressure now given the impact of the COVID-19 crisis.[4] FDI has trended downward since the global financial crisis; some of the continued weakness is attributable to global policy uncertainty and weak commodity prices. FDI weakened again across all Emerging Market and Development Economy (EMDE) regions in the first half of 2019; this decline was particularly pronounced in EMDEs that had experienced financial pressure earlier. FDI into Low Income Countries (LICs) has also trended downward since the global financial crisis and remains a fraction of FDI into EMDEs. Weaker FDI negatively affects MIGA's political risk insurance opportunities.

2.1.3 Debt, in contrast to FDI, has rapidly increased in EMDEs. The global economy experienced four waves of debt accumulation over the past fifty years. The first three ended with financial crises in many EMDEs. The current wave, which started in 2010, has already seen larger, faster, and more broad-based increases in debt than in any of the previous waves. EMDEs are also confronting weak growth prospects, mounting vulnerabilities and elevated global risks. The global spread of COVID-19 (Coronavirus) in 2020 is a vivid example of such risk. It will have a significant impact on global economic activity in 2020 and beyond, and especially on EMDEs. This means that MIGA's non-honoring (NH) products must be used carefully and prudently.

2.2 WBG STRATEGIC ENVIRONMENT

2.2.1 Section 1 outlines the WBG Strategy[5] and approach to tackle the twin goals; end extreme poverty and promote shared prosperity. Progress on this has been mixed.[6]

2.2.2 Poverty reduction has improved overall, but progress varies greatly by region. In 1990, 36 percent of the world's people lived in poverty, defined as an income of less than US$1.90 a day in 2011 purchasing power parity. By 2015, that share had plunged to 10 percent, down from 11.2 percent in 2013. Much of the progress in the past quarter century has been in Asia. But the huge progress against poverty in Asia contrasts sharply with the much slower pace of poverty reduction in Sub-Saharan Africa. Extreme poverty is becoming more concentrated there because of the region's slower growth rates,

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[3] Global Economic Prospects, 'Slow growth and Policy Challenges.' January 2020. World Bank Group.

[4] Estimates from the United Nations Conference on Trade and Development (UNCTAD) are that FDI flow are are liable to drop by 30 to 40 percent during 2020 and 2021. UNCTAD Investment Trends Monitor, March 2020.

[5] World Bank. 2013. The World Bank Group Strategy: Overview (English). Washington DC; World Bank. http://documents.worldbank.org/curated/en/602031468161653927/Overview

[6] Poverty and Shared Prosperity 2018, 'Piecing Together the Poverty Puzzle'. 2018. World Bank Group.

problems caused by conflict and weak institutions and difficulty in using growth to reduce poverty. Sub-Saharan Africa now accounts for the majority of the world's poor and—unlike most of the rest of the world—the total number of poor there is increasing.

2.2.3 On shared prosperity, the news is more positive, with almost 80 percent of countries for which data are available showing growth in the bottom 40's income. However, modest global growth has limited improvement and some countries have even experienced slowdowns and even reversals in shared prosperity. Latin America and the Caribbean, for example, saw less growth in shared prosperity from 2010 to 2015 than in previous years as their economies cooled amid a downturn in global commodity prices.

2.2.4 MIGA is fully aligned with the World Bank Group's twin goals and in supporting the World Bank and IFC as they meet their capital package and IDA19 replenishment commitments. MIGA benefits from a strengthened World Bank and IFC as the Agency will continue to collaborate closely with WB and IFC on business development, processing, portfolio and (if necessary) pre-claims management.

2.2.5 All Multilateral Development Banks, including MIGA, are committed to catalyzing and mobilizing private investment as part of the Financing for Development (FfD) agenda to help achieve the Sustainable Development Goals. This emphasis on the private sector is based on the recognition that public funding alone will never be sufficient to meet investment needs and the fact that the private sector is the primary creator of jobs and growth. Because the resource landscape for development finance has changed dramatically, MDBs will have to adopt a new approach –even if the architecture for lending is relatively unchanged. Private capital flows to Low-Income Countries and Middle-Income Countries (MICs) now far exceed Official Development Assistance (ODA). Between 1990 and 2015, net Foreign Direct Investment (FDI) to developing countries grew from US$21 billion to nearly US$650 billion, an increase of over 30 times 1990 levels. While ODA nearly tripled, from around US$55 billion to US$161 billion per annum, this rise is tiny in comparison. It is now clear that ODA is the scarcer resource, and the large financial cost of achieving the Sustainable Development Goals (SDGs) will require that MIGA and other MDBs leverage ODA and crowd-in private investment. This change represents a paradigm shift for MDBs and development finance.

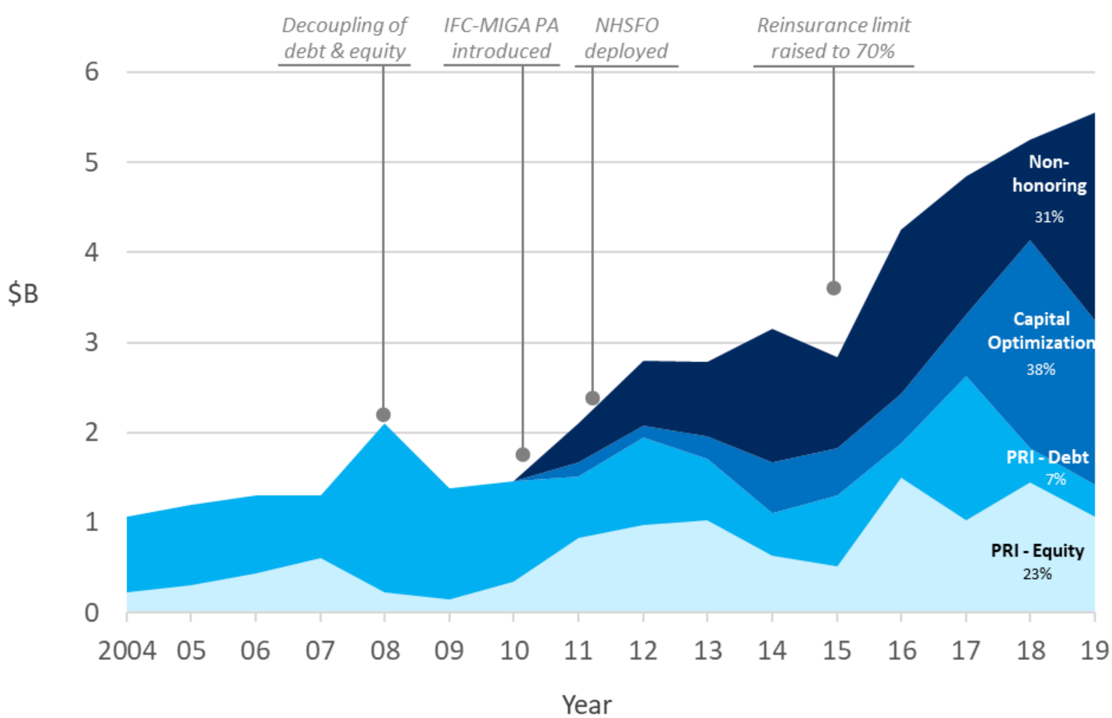
2.2.6 MIGA is well placed to deliver on this FfD agenda. Its business model focuses exclusively on using its limited shareholder capital to mobilize significant levels of private finance to support the twin goals and SDGs through both delivery of guarantees (political risk insurance and credit enhancement) and reinsurance. The Agency has the mandate, resources and experienced required to go further in mobilizing private investment to increase impact and progress toward the twin goals.

3. MIGA'S FY15-FY20 RETROSPECTIVE

3.1 GROWTH AND IMPACT SINCE 2015

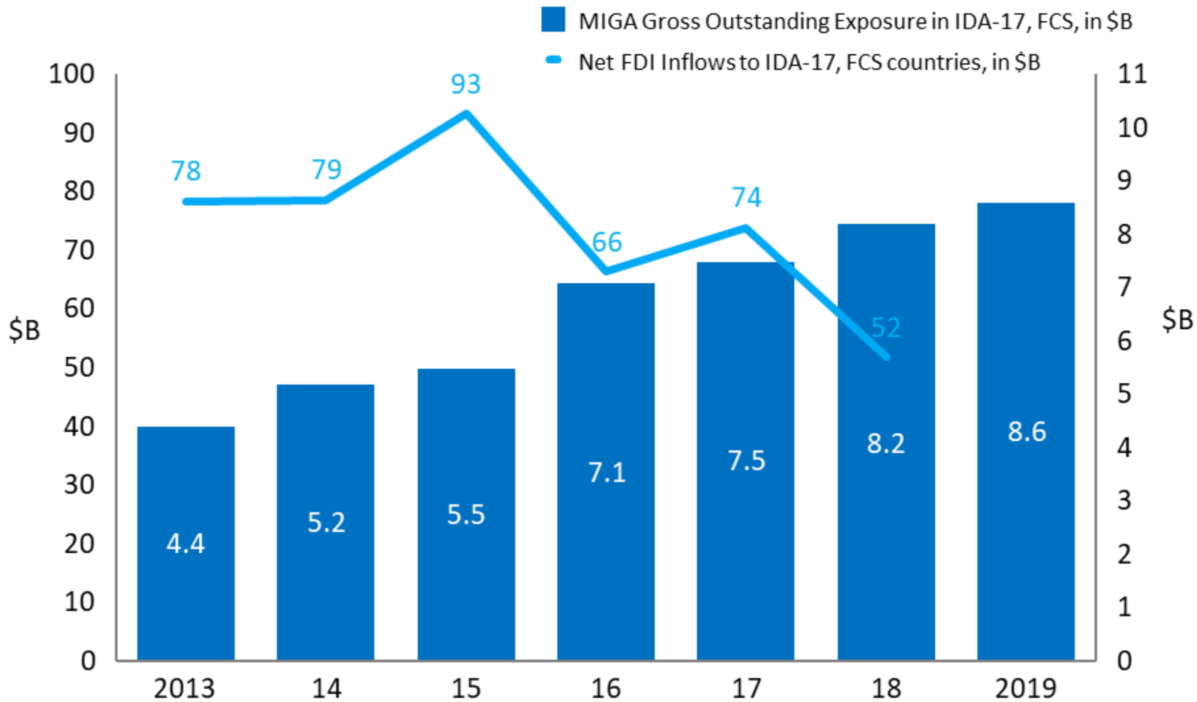
3.1.1 The FY15-17 and FY18-20 strategy cycles emphasized MIGA's growth, capitalizing on its unique tools, products and available capital, especially in IDA/FCS and Climate Finance. Figure 1 shows that MIGA's growth in gross guarantee issuance has been very strong, especially since FY15. Indeed, the Agency has been one of the fastest growing MDBs during the last ten years. This growth has been delivered with an existing capital base thanks in large part to the Agency's continued access to private and public reinsurance markets (Section 7.5).

Figure 1: Gross Annual Issuance provided by MIGA, including Share of Overall Book (FY04-19), in US$ billions



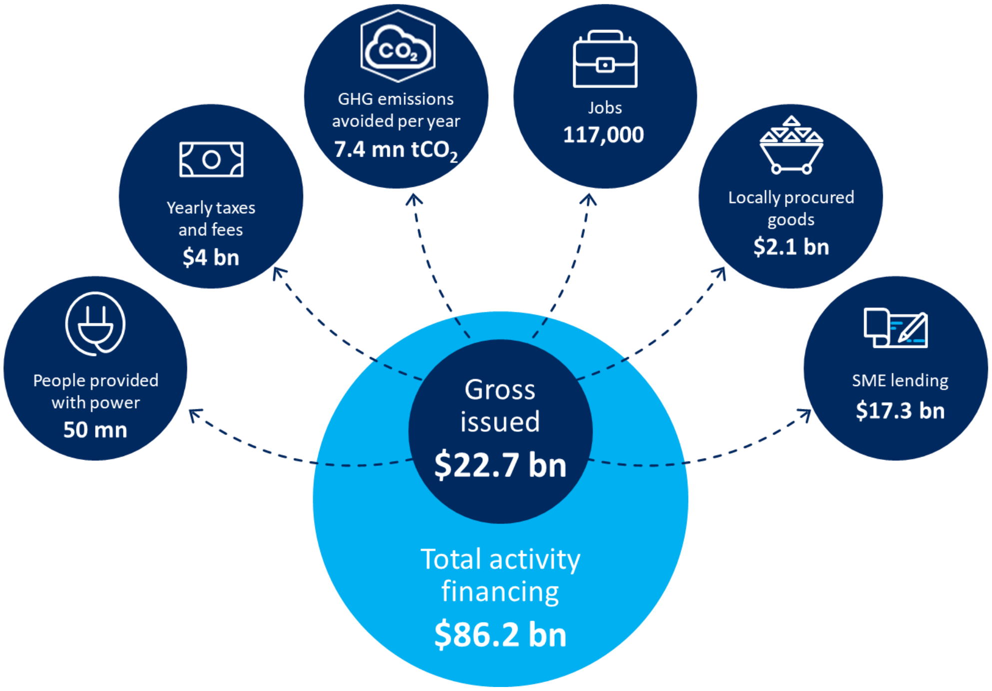
3.1.2 This increase in issuance included growth in IDA countries, Fragile and Conflict-Affected Situations and Climate Finance Change. As Figure 2 illustrates, MIGA's growth was counter-cyclical, occurring against a backdrop of falling FDI from 2013-2019.

Figure 2: MIGA's Portfolio in IDA/FCS has Grown Considerably Despite a Challenging Environment



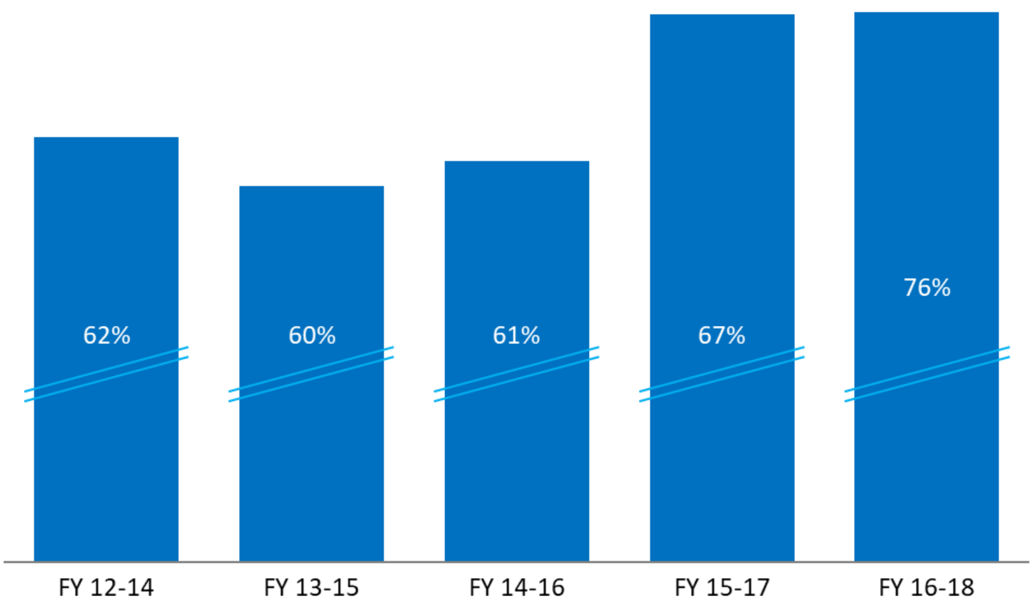
3.1.3 The Agency's recent growth has also delivered significant impact. Projects supported during FY14-19 are expected to provide 50 million people with power, generate US$4 billion in tax revenue for host governments per annum, provide 117,000 jobs directly (many more indirectly) and avoid 7.4 million tons of carbon dioxide (tCO_2) annually (Figure 3).

Figure 3: Expected Development Results of MIGA Supported Projects (FY14-FY19)



3.1.4 Figure 4 shows a steady rise in MIGA's overall success rate for evaluated project outcomes, which confirms MIGA's ability to deliver development impact at scale while growing.[7]

Figure 4: MIGA Ex-Post Project Development-Outcome Ratings of Satisfactory or Excellent



[7] Project outcome results are validated by IEG.

3.2 LESSONS LEARNED

3.2.1 The implementation of MIGA's FY15-17 and FY18-20 strategy cycles has yielded rich lessons that MIGA will use to steer its future strategic directions.

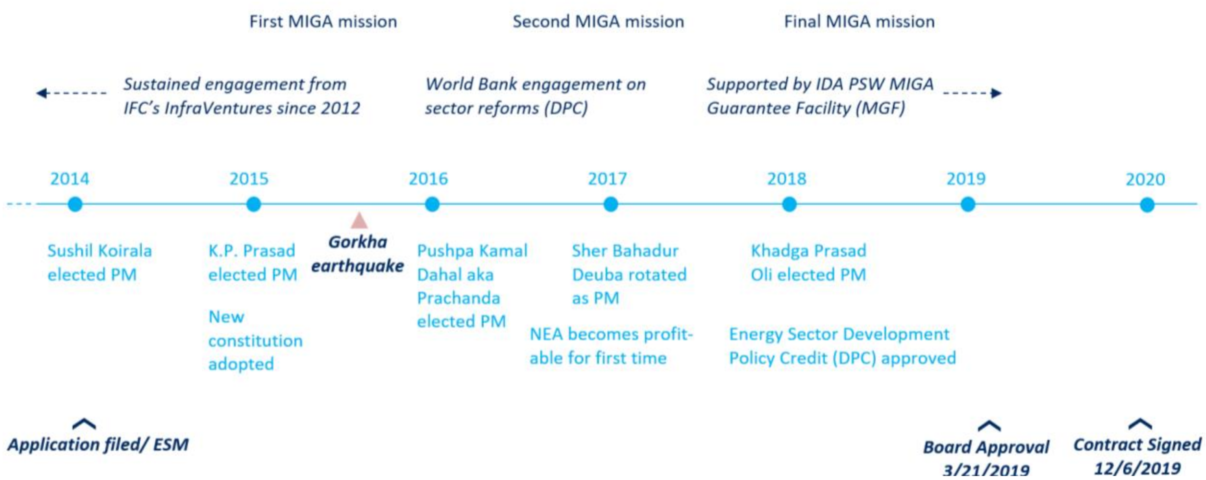
3.2.2 *Internal reforms have delivered portfolio growth:* Organizational reforms put in place toward the end of the FY15-17 period contributed substantially to MIGA's growth in guarantee issuance and development results over the last two strategy cycles. At that time, the Agency took a more proactive approach to business development and dialogue with client country governments so it could identify key development priorities in which these governments would like to involve MIGA. A model was launched where a Client Service Leader was assigned to each of MIGA's top clients; they served as the client's main point of contact to better understand the client's unique business needs and to pursue repeat business more proactively. These changes, together with continued access to reinsurance markets (Section 7.5), have doubled both gross issuance and the gross portfolio between FY15 and FY19.

3.2.3. *Delivering guarantees in the most challenging markets requires persistence, perseverance and resources:* As discussed previously, MIGA has grown its portfolio in IDA/FCS despite volatile and declining FDI flows into these markets. Experience shows that persistence and perseverance in underwriting are required to deliver impactful projects in these challenging countries. The time it takes the Agency to execute guarantees in IDA/FCS is significantly longer than the average for all guarantees, due to factors outside of MIGA's control. Guarantees in IDA/FCS also have significantly higher costs for both underwriting and monitoring.[8] Nevertheless MIGA has managed to grow its portfolio in these markets and staff enjoy the challenge and reward of working on impactful projects in IDA/FCS. Box 1 describes a case study in Nepal.

[8] Full costs analysis will be provided in MIGA's FY21 Budget Request Paper.

Box 1: Case study of the Nepal Upper-Trishuli 1 hydropower plant: the reward for patience and persistence in IDA/FCS

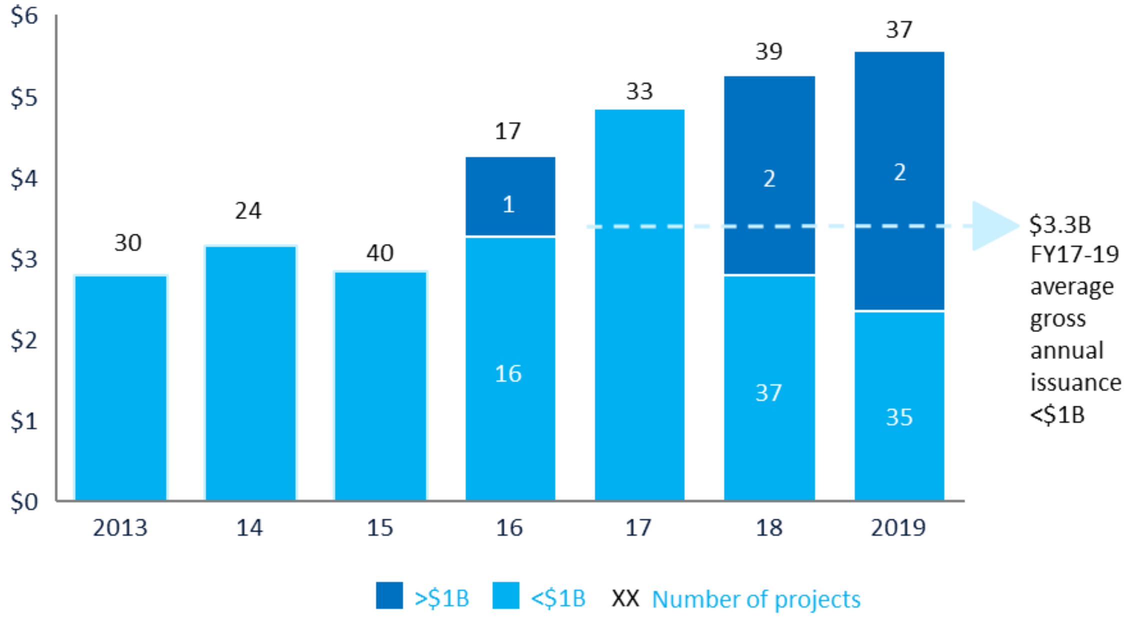
- 216 MW hydropower plant on the Upper Trishuli river in Nepal under a 30-year power purchase agreement
- Expected to increase Nepal's domestic power supply by approximately 20 percent compared to today's levels
- Will increase FDI by 2.6 percent of GDP
- Environmental & Social (E&S) Category A project
- MIGA guarantees of up to $87 million, leveraging IDA-PSW
- Joint project with IFC and International Development Association



3.2.4 *Product application innovation is important:* Issuance growth was also driven by new products (Non-Honoring of Financial Obligations) or new applications of existing products (Capital Optimization using MIGA's expropriation cover). By contrast, MIGA's traditional product lines of political risk insurance (PRI) on equity and debt remained mostly constant or, in some cases, declined (e.g., coverage of commercial debt). Political risk insurance, sovereign guarantees and export credit in general are fast-evolving sectors and it is important that MIGA continue to advance or adapt its products' applications to meet clients' needs, deliver on the Agency's priorities and increase development impact.

3.2.5 *Reliance on a few large guarantees can introduce uncertainty:* In recent years MIGA's growth in overall gross issuance has often been attributed to a few very large transactions, including five over US$1 billion (Figure 5). Outside of these large projects, average 'base' guarantee issuance has been ~US$3-4 billion a year. While such large projects can have significant development impact and make a strong contribution to net income, they can also introduce uncertainty into the Agency's annual guarantee issuance. Going forward, MIGA plans to reduce its reliance on large guarantees to improve the portfolio's diversification and reduce uncertainty in its annual guarantee issuance.

Figure 5: Gross Guarantee Issuance by Project Size (FY13-FY19)



3.2.6 The Independent Evaluation Group (IEG) produced two Results and Performance (RAP) reports during FY18-20H1. MIGA will draw upon IEG RAP reports also. These have shown a steady increase in the percentage of projects with development outcomes rates Excellent or Satisfactory (Figure 4 in Section 3.1). Lessons from these, to be incorporated into underwriting going forward, include:

3.2.7 IEG Results and Performance Report 2019 (RAP 2018): The overall project outcome success rate was anchored by strong performance in the Infrastructure, Energy and Extractive sectors, and in IDA countries. The key success drivers in these sectors were: strategic relevance to countries, a stable regulatory environment, sponsors with a strong track record, stable demand, and competitive products. MIGA's enhanced monitoring and supervision efforts helped it make good progress regarding E&S outcomes, which the RAP report also recognized.

3.2.8 Results and Performance Report 2018 (RAP 2017): MIGA's guarantee projects in IDA and FCS countries, which are key strategic priorities, also performed well. The environmental performance of MIGA guarantee projects improved as a result of significant progress in supervision efforts.

4. MIGA'S STRATEGIC DIRECTIONS FOR FY21-23

4.1 MIGA plays an essential role in delivering the World Bank Group's Strategy, achieving the twin goals and supporting the WB and IFC in meeting their capital package commitments. The Agency will do so by expanding its addressable market while delivering more impact, particularly in IDA/FCS and climate change. Given the rapidly evolving situation with COVID-19, it is also working closely with the World Bank and IFC to identify ways it can help address the global impact of the virus.

BOX 2: Listening to different voices: Consultations on the FY21-23 Strategy and Business Outlook

MIGA consulted many stakeholders on the FY21-23 SBO. Three critical voices–staff, shareholders and clients–are summarized here.

Shareholders:

- Keen for MIGA to increase its development impact as a key member of the WBG
- Look for the Agency to serve all clients while focusing on the poorest countries and global public goods
- Value MIGA's unique business model and ability to mobilize through both guarantees and reinsurance
- Want MIGA to ensure that it remains financially sustainable and maintains its AAA rating standard

Clients:

- Value MIGA's long tenor, higher risk tolerance and deep technical expertise
- Value MIGA's recognition by the Basel Committee as a highly-rated multilateral and encourage the Agency to further its innovation to provide regulatory relief
- Would like MIGA to have an even greater risk appetite and simpler processes and procedures

Staff:

- Are proud to work at MIGA and at the WBG
- Perceive that MIGA processes as cumbersome (still) and in further need of reform
- Seek clarity on risk appetite and internal policy positions earlier in the project cycle

4.2 This Section begins by describing MIGA's approach to the COVID-19 crisis. Each of the four strategic directions are then discussed:

i. continuing to **serve all client** countries while deepening impact in IDA/FCS

ii. continuing to **complement market creation** through the Cascade approach and the Financing for Development agenda

iii. demonstrating leadership on applicable **global issues** such as climate change, gender and knowledge/advocacy on the power of guarantees

iv. continuing to improve MIGA's robust **business model**

4.1 RESPONDING TO THE COVID-19 (CORONAVIRUS) CRISIS

4.1.1 As of March 2020, the Coronavirus (COVID-19) had spread globally and become a pandemic. While the full impact remains unclear, the outbreak arrived at a weak point in the world economy. Its impact, which is already beginning to be seen, will likely occur across several channels: disruptions in trade and global value chains, foreign financial flows declining rapidly, underutilized human and financial capital and rapidly shrinking transport and tourism.

4.1.2 The WBG is playing a key role in helping developing countries respond. The US$14 billion WBG Fast Track COVID-19 Facility will immediately support their efforts to strengthen their health systems and minimize harm to people and the economy. MIGA is actively looking to see how the Agency can support the Facility and has voiced its strong commitment to host countries and investors during these challenging times. Specifically, the Agency is exploring support as follows:

- In response to the immediate medical emergency, partner with WB and IFC on a facility to enable the purchase of urgent COVID-19 medical equipment.
- Use MIGA's credit enhancement guarantees to support lines of credit by commercial banks to ministries/entities governments as needed for specific responses to the economic impacts of COVID-19.
- Deploy credit enhancement to development banks and export-import banks to facilitate lending, refinancing or guarantees, particularly to SMEs, to ease crisis impact.
- Expand MIGA's proven capital optimization product to facilitate client banks' continued lending during the challenging times going forward.
- Engage with clients on projects facing temporary distress due to economic volatility.
- Expedite underwriting procedures.

4.1.3 In pursuing these programs MIGA will seek to ensure that any operations are focused on a specific Coronavirus response, are fully complementary to the programs of the World Bank and IFC, and meet the Agency's standards for risk management, procurement, E&S and other policy and procedure requirements.

4.2 SERVING ALL CLIENTS

4.2.1 MIGA plans to deliver between US$5.5 and US$6.0 billion in guarantees on average per annum over FY21-23. In the longer term, as MIGA heads toward 2030, annual gross issuance could significantly increase depending on progress with the initiatives outlined in Chapter 5. In addition, because MIGA's progress complements that of the market, many external factors will drive the Agency's ultimate growth. These include FDI levels, commercial debt flows, and the rise in lending from global, regional and national development finance institutions.

4.2.2 Serving all client countries is important for the Agency's mandate and financial sustainability. The mandate requires that MIGA serve all developing countries[9] and retain a balanced portfolio that maintains financial sustainability. While the Agency will continue supporting projects in countries across the income spectrum, it will also continue to prioritize the poorest and most fragile countries. A portfolio which is balanced across geographies, income categories, products and risks helps MIGA retain its credit rating posture and unique access to vital reinsurance.

[9] MIGA currently has 156 Developing Country members. See Annex 3.

Deepening impact in IDA/FCS

4.2.3 Extreme poverty fell from 49 percent in 2002 to 31 percent in 2015 in IDA countries.[10] However, the number of people living in extreme poverty in IDA countries (~500 million people) has remained constant over the past 10 years. An estimated 63 percent of the world's absolute poor currently live in IDA countries and this percentage is expected to increase.

4.2.4 Economic growth in these countries often comes with inequality and excludes various groups. Gender gaps remain in poverty levels, education and employment. The jobs challenge is also acute: around 20 million jobs need to be created every year for the next decade, based just on the growing number of young men and women entering the labor market. Hunger, after years of decline, is on the rise, returning to levels from a decade ago. In the post-COVID-19 era, these indicators are only expected to grow more severe. IDA countries are also among those that are least able to deal with climate change; the livelihoods of the poor and most vulnerable in those countries will be affected the most.

4.2.5 The challenge of addressing fragility, conflict and violence (FCV) is even more acute. By 2030, more than half of the world's extreme poor will live in countries characterized by FCV. Preventing and mitigating FCV challenges is the key to overall progress toward the Sustainable Development Goals and to the international community's broader efforts to promote peace and prosperity. The WBG Strategy for Fragility, Conflict And Violence 2025[11] charts a course where the WBG will engage more deeply in fragile and conflicted situations (FCS). This support will be organized along "Four P's": policies, program/products, personnel, and partnerships. MIGA's portfolio in FCS stands at over US$2 billion (a record) and will deepen this focus during FY21-23.

4.2.6 MIGA's business model in IDA/FCS (detailed in the WBG FCV strategy) focuses on:

- *WBG collaboration and the Cascade approach*–leverage increased upstream engagement with WB and IFC for FCS-specific approaches to public and private-sector financing and solutions.
- *Leveraging Blended Finance solutions to better manage financial-risk*–expand MIGA's ability to take greater financial risk by using blended finance from MIGA's Guarantee Facility (MGF) under the IDA Private Sector Window (PSW) in eligible countries, and from the Conflict Affected and Fragile Economies Facility (CAFEF) in middle-income countries which are also FCS.
- *Exploring options for a facility to help smaller capacity clients to meet MIGA's requirements of the E&S Performance Standards and Integrity standards* – Manage the non-financial risks so prevalent in IDA and FCS countries by employing facilities similar to the ones MIGA has used in the past with some success.
- *Streamlining*–potentially scale up the Small Investment Program and simplify approval for smaller, impactful projects, with broader Board-delegated authority for select projects.
- *Enhancing conflict sensitivity analysis*–recognize the Agency's indirect support of projects.

4.2.7 MIGA's support is most relevant in countries that are emerging from conflict and seeking international investment to rebuild and restore. For example, after the civil war in Cote d'Ivoire MIGA provided US$870 million in guarantees to support four projects from 2012 and 2014 in the

[10] PovCalNet in "Additions to IDA Resources: Nineteenth Replenishment - Ten Years to 2030: Growth, People, Resilience" IDA/R2020-0018 January 24th, 2020.
[11] World Bank Group Strategy for Fragility, Conflict, and Violence (FCV), 2020-2025. SecM2020-0020.

infrastructure, off-shore gas, power and tourism sectors. Many IDA/FCS countries are also Small States (see Annex 3). MIGA is identifying ways to expand its portfolio in Small States, which have limited resources and are increasingly affected by extreme weather events, natural disasters, and rising sea levels. The Agency already cooperates closely with the Small States Secretariat and Small States Advisory Group, and routinely participates in the Small States Forum.

4.2.8 Given the importance of IDA/FCS' challenges MIGA plans to increase the share of its investments in IDA and FCS to 30-33 percent on average over FY21-23, which is 8 percent higher than in FY17-19. The Agency conducted substantial analyses on the size of the market, the balance of risk in the portfolio and benchmarks with other international MDBs before setting this target.

4.2.9 The Agency will primarily aim to use its PRI products in IDA/FCS while constantly examining ways it can tailor or adjust PRI to meet some of the unique challenges in these economies (see Sections 5.1 on Product Application Innovation). Given the increasing number of IDA/FCS countries at high or moderate risk of debt risk of distress, MIGA will use its NH product prudently for select creditworthy IDA/FCS sovereigns.[12]

4.2.10 MIGA will have access to two blended finance facilities which will help it expand operations in IDA/FCS countries. IDA19, like IDA18, will include a US$500 million allocation for the MIGA Guarantee Facility (MGF) under the IDA Private Sector Window (IDA-PSW). The Agency will also continue to act as Administrator of the Risk Mitigation Facility under the PSW during IDA19 - as for IDA18. The MGF has thus far helped MIGA support 10 projects, totaling US$609 million of gross guarantees with IDA18 assuming US$157 million of first losses. The Agency is confident that the PSW will prove similarly helpful over FY21-23, especially to deliver the IDA19 priorities of Climate Change and the Jobs and Economic Transformation (JET) agenda (Box 4).[13] MIGA will also be more proactive in using the IDA-PSW under IDA19 to de-risk projects.

4.2.11 MIGA is also committed to full transparency when using the MGF in line with the Blended Finance Principles,[14] including the list of projects supported, expected impacts, economic rationale for any de-risking amounts and additionality to the Agency's own guarantees in IDA countries. It will continue with full disclosure of the de-risking component for MGF-supported projects during FY21-23 and beyond. The amounts of de-risking component will be calculated as the Net Present Value of the difference in premium between the agreed price with the client and the price MIGA would have charged without using the MGF. This amount in US dollars will be expressed as a percentage of the project cost, and as a percentage of the IDA exposure in the transaction and disclosed in the Board Paper.[15]

4.2.12 The Conflict Affected and Fragile Economies Facility started operations in 2013 and has supported 11 projects so far in the most challenging environments. Since inception it has mobilized US$589 million of private capital in support of projects totaling US$1.3 billion; some US$33.1 million of capacity remains. While the MGF provides similar first-loss support to CAFEF for FCS that are also

[12] In line with the IDA19 Sustainable Development Finance Policy, (forthcoming) and drawing on 'The Evolution of Public Debt Vulnerabilities in Lower Income Economies.' February 11, 2020. IDA/SecM2020-0006/2.
[13] 'Additions to IDA Resources: Nineteenth Replenishment. Ten Years to 2030: Growth, People, Resilience', January 24th, 2020, IDA/R2020-0018.
[14] "DFI Working Group on Blended Concessional Finance for Private Sector Projects: Summary Report" (October 2017) and "OECD DAC Blended Finance Principles for Unlocking Commercial Finance for the Sustainable Development Goals' (January 2018).
[15] A separate but related issue arises when a host country government chooses to provide direct or indirect subsidies to certain projects or certain sectors of the economy, which MIGA is supporting through a guarantee. The Agency is working to incorporate analysis on this into its IMPACT system.

IDA-PSW eligible, there remain several FCS for which CAFEF is the only option available to MIGA to help mitigate risk.

4.2.13 The West Bank and Gaza Trust Fund was established in 1998 with US$15 million from the Palestine Authority (through an IDA credit), the Japanese Government and the European Investment Bank (EIB). In 2011 EIB decided to exit the Trust Fund. To date this Trust Fund has provided more than US$34 million of guarantees in support of nine projects in the West Bank and Gaza. The fund has grown to US$28 million and the current available balance is US$8 million. It has supported several projects with significant impact, including Nakheel Palestine and the National Beverage Company. MIGA will consider seeking further donor support for the Trust Fund in FY21-23.

4.2.14 The increased focus on IDA/FCS will also create additional financial and non-financial risks. While both PSW/MGF and CAFEF help MIGA take on additional financial risk, non-financial risk often presents the greatest challenge with MIGA's ability to support projects in these difficult environments. Legal, environmental, social, corporate governance, reputational and compliance risks are all higher in weak regulatory environments. Because of its robust and comprehensive E&S Performance Standards and integrity standards, which require commitment and capacity from MIGA clients, the Agency struggles to support many projects that would otherwise have significant impact. As a result, MIGA is considering whether to establish a support facility to help lower-capacity clients manage these risks and achieve compliance with MIGA standards.

BOX 3: Supporting the Jobs and Economic Transformation (JET) Agenda: the employment multiplier effects of MIGA-supported projects

Demographic and growth challenges highlight the need for the WBG to focus on **jobs and economic transformation.** Job creation remains far below what is needed: around 20 million jobs need to be created in IDA countries every year for the next decade, simply to meet the growing number of young men and women entering the labor market. The jobs gap creates significant migration pressures and the COVID-19 crisis will likely lead to job losses globally. The WBG needs to lead on the job issue, which is central to the IDA19 replenishment.

MIGA has a US$1.6 billion portfolio in the agribusiness and manufacturing sector – the sector that contributes the lion's share of the direct jobs-supported data shown in Figure 3 in Section 3.1. However, the Agency's overall portfolio is weighted toward financial markets and infrastructure because these sectors typically seek political risk insurance and guarantees. As a result, the projects and companies the Agency supports usually have a *significant but indirect* impact on employment.

The potential for employment generation for men and women is a key component of **MIGA's IMPACT system** when it assesses a project. The Agency has also begun measuring the wider economic impact of projects it supports (including indirect employment) on host economies in partnership with the IFC's Modelling and Analytics Unit. Data from the FY19 pilot shows that while MIGA-guaranteed projects were expected to support 20,000 jobs *directly*, they would also support **153,000 jobs *indirectly* and create US$2.4 billion of value added** in their host economies annually. The Agency is building its capacity for such modelling and will feed this analysis into the IMPACT framework and broader project analyses.

Supporting Non-IDA/FCS Countries

4.2.15 Delivering on the WBG's twin goals requires MIGA to continue its substantial engagement in Non-IDA/FCS countries. Middle Income Countries remain home to 70 percent of the world's poor and 40 percent of the extremely poor. Inequality is pervasive in many Non-IDA/FCS countries and addressing the needs of the bottom 40 percent remains a constant challenge. Finally, as the International Bank for Reconstruction and Development (IBRD) proportionately redirects financing to lower income countries, MIGA has an important role to play in helping Non-IDA/FCS countries access international capital markets on appropriate terms.

4.2.16 Non-IDA/FCS countries also provide MIGA with important portfolio diversification benefits and generate significant premium income that helps cover administrative expenses for the entire business and grow the capital base. MIGA must maintain a portfolio that is balanced across geographies, income categories, products and risks. Without this, MIGA's credit rating posture and unique access to vital reinsurance would be at risk.

4.2.17 MIGA's principles for working in Non-IDA/FCS countries are:

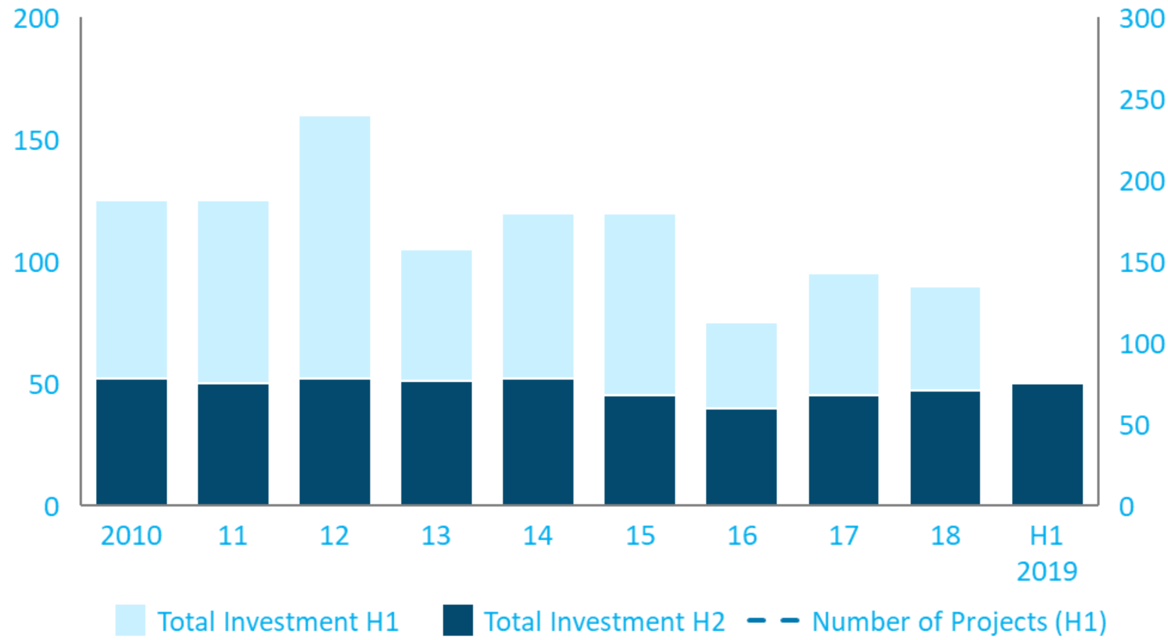
- Support the WBG's program as outlined in the relevant Country Partnership Framework.
- Within Non-IDA/FCS countries support projects with a clear line of sight to the bottom 40 percent as defined and explained in the relevant Systematic Country Diagnostic.
- Address global and regional public goods such as climate change (see Section 4.4.1), biodiversity, critical resilient infrastructure, regional integration, knowledge exchange, south-south investments, refugee communities and knowledge exchange.[16]
- Demonstrate a clear role and contribution from MIGA (as defined in Section 4.5.3).

4.2.18 MIGA will deploy both PRI and NH products in Non-IDA/FCS countries. As fewer Non-IDA/FCS sovereigns are currently at high or moderate risk of debt distress, more are able to borrow additional external funds while remaining on a sustainable debt path.[17] MIGA's NH product is especially relevant for Non-IDA/FCS countries and their ability to access long-term financing. Because political risk in Non-IDA/FCS countries is generally perceived to be lower than in IDA/FCS countries, MIGA will need to find innovative ways to apply its PRI products if it wants to retain relevance and impact (see Section 5.1).

4.2.19 Basel regulations for capital requirements also increase the costs for private commercial banks that invest in emerging markets. This is particularly true for commercial lending for project finance structures. Insurance companies trying to expand their investment universe within the boundaries set by the Solvency 2 framework face similar issues.[18] Figure 6 shows that the number of Public Private Partnership (PPP)-type infrastructure projects is declining steadily, which is partially due to the challenge of attracting sufficient long-term commercial debt. Because the Basel Committee has recognized MIGA as a highly-rated multilateral institution, commercial banks may now receive capital relief from MIGA's political risk insurance products (for PPP projects) or from MIGA's non-honoring of sovereign financial obligations on public sector infrastructure projects. This helps commercial banks reduce their risk weighting and capital provisioning, and so expand financing.

[16] For example, MICs emitted 57 percent of global CO2 in 2014; they hosted 71 percent of the world's refugees in 2016; and they carry high costs of pandemic prevention, estimated at up to US$1.9 billion a year.
[17] 'Global Waves of Debt Causes and Consequences' M. Ayhan Kose, Peter Nagle, Franziska Ohnsorge, and Naotaka Sugawara, World Bank (2020).
[18] The Solvency 2 Directive is a Directive in European Union law that codifies and harmonizes the EU insurance regulation concerning the amount of capital that EU insurance companies must hold to reduce the risk of insolvency.

Figure 6: Investment Commitments in Infrastructure with Private Participation in EMDEs 2010-2019H1



Source: H1 2019 Private Participation in Infrastructure (PPI), World Bank.

Approach to the deployment of Non-Honoring of Sovereign Financial Obligations and Non-Honoring of Financial Obligations for State-Owned Enterprises

4.2.20 MIGA will continue its robust process to ensure that any commercial debt supported with the Non-Honoring product is aligned with a sustainable debt path and promotes transparency and rigor in the process. As with PRI, the Agency will also create innovative applications of the NH product to attract a wider pool of potential clients (see Section 5.1 for additional details).

4.2.21 Over FY15-19 Non-Honoring guarantees accounted for one-third of gross issuance. While MIGA expects this trend to continue, the Agency's response to the COVID-19 crisis may push the average percentage higher over FY21-23. Nevertheless, Non-Honoring will comprise a maximum 50 percent of gross issuance in any one year and is likely to be below this. The Agency will draw upon some of the analysis in the recent IEG Meso-Evaluation during FY21-23 when deploying the Non-Honoring product.[19]

4.3 COMPLEMENTING MARKET CREATION

4.3.1 One important component of the WBG Strategy is to Maximize Finance for Development and to support economic growth by leveraging WBG resources. The WBG is adopting a systematic strategy for creating markets through the Cascade and plans to mobilize US$110 billion in additional private

[19] "MIGA's Experience with Non-Honoring of Sovereign, Sub-sovereign, and State-owned Enterprise Financial Obligation Guarantees; A Meso Evaluation". Friday, March 13, 2020. CODE2020-0010.

finance over FY19-FY30. MIGA's guarantee and insurance products are a crucial part of this wider WBG program and mobilization efforts of private capital.

4.3.2 An IEG evaluation in 2019[20] confirmed MIGA's vital role in complementing market creation. Projects supported by the Agency contribute to market creation through three interrelated channels: (i) fostering innovation; (ii) demonstrating the effects of the programs; and (iii) supporting integration into value chains. The identification of channels and drivers in market creation has helped MIGA use IMPACT, its ex-ante development impact assessment framework, to articulate the development impact of its guarantee projects.

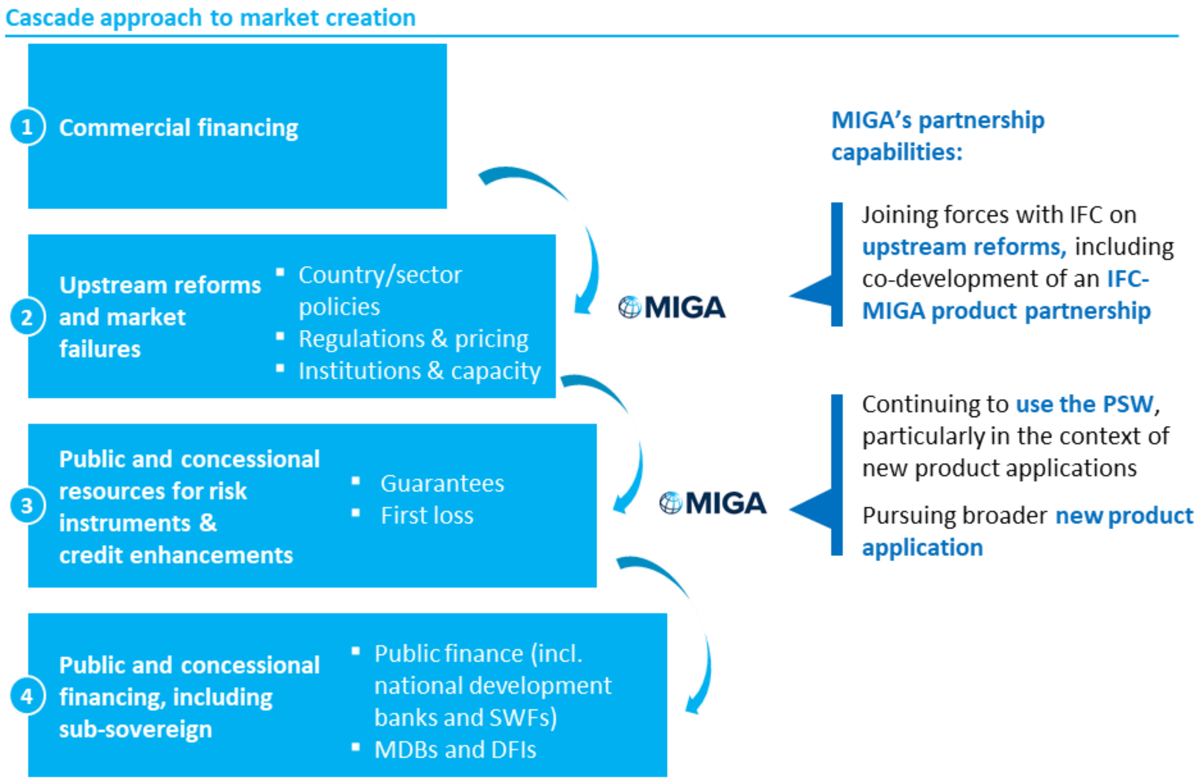
4.3.3 MIGA will continue to play a pivotal role in the Cascade at the project level as a provider of de-risking solutions for commercial financing when upstream reforms alone are insufficient to engage the private sector (Figure 7). The Agency will continue to coordinate efforts to make certain that WBG country directors, Task Team Leaders, host countries and investors are familiar with the de-risking tools it makes available to clients. By leveraging its close contact with WBG and host country personnel in Cascade priority countries and its relationships with investors, MIGA can ensure that its de-risking products help involve the private sector in the countries that would benefit from it the most.

4.3.4 While progress has been made, collaboration on the Cascade approach is still not systematically applied across regions, sectors and countries as well as reflected in Country Partnership Frameworks (CPF) and other WBG frameworks. Several working groups have been established to make recommendations on: (i) the country planning cycle and engagement on how to systematically incorporate the private sector into the CPF, (ii) lending and advisory operations, and (iii) incentives to use the Cascade approach. Their specific suggestions will help the WBG better align processes and incentives and accelerate Cascade implementation.

4.3.5 MIGA will also participate actively in all broader WBG country diagnostic work, identifying country and sector priorities and supporting assessments of trends in private sector risk and investment. In so doing, the Agency will continue to leverage WB's and IFC's work.

[20] "Creating Markets to Leverage the Private Sector for Sustainable Development and Growth: An Evaluation of World Bank Group's Experience Through 16 Case Studies" (February 25, 2019).

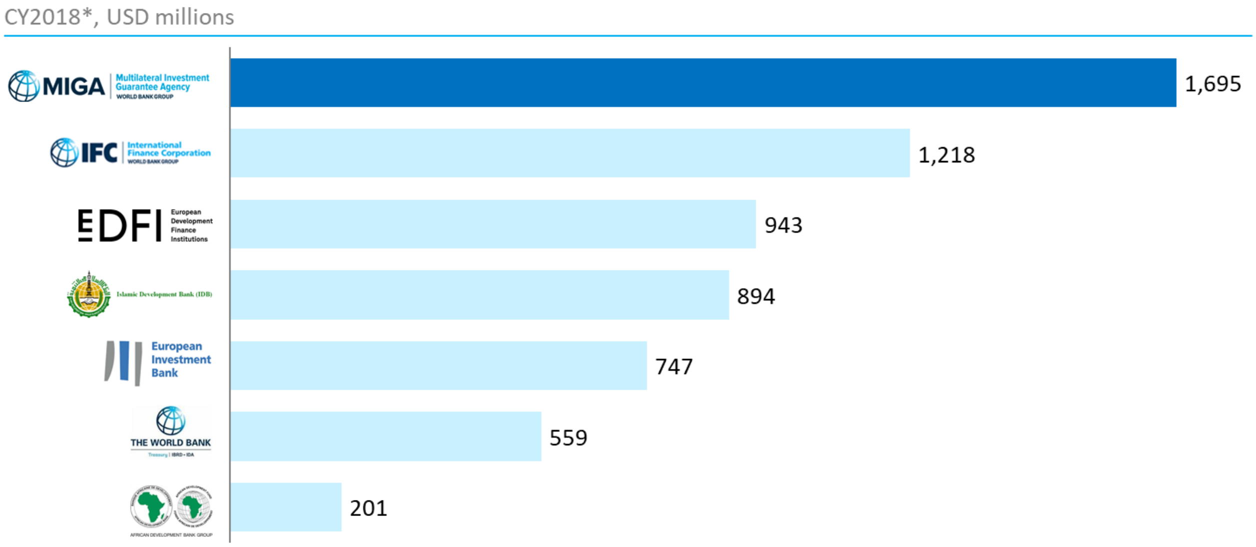
Figure 7: MIGA's Role in Delivering the Cascade



4.3.6 The Agency very effectively and efficiently mobilizes private capital – a capability that is at the heart of its business model. As Figure 8 demonstrates, it is now one of the largest MDBs in terms of how much private capital it can mobilize[21] and how efficiently it can leverage it. MIGA is able to leverage its shareholder equity 39 times,[22] comparing favorably to the IFC, which leverages its capital 20 times including core mobilization and co-financing, and IBRD, which leverages its capital five times.

[21] Mobilization of Private Finance by Multilateral Development Banks and Development Finance Institutions (2018), Report Published 2019.
[22] Forward Look 2016.

Figure 8: Private Finance Mobilized Directly in LICs and LDCs by MDBs



4.3.7 MIGA's unique ability to leverage its capital through reinsurance is a vital part of its contribution to creating markets. MIGA's reinsurance program attracts private reinsurers to provide cover in markets they would not otherwise enter. The Berne Union[23] data shows that private reinsurers are increasingly comfortable providing political risk and credit enhancement in emerging markets; facilitating this expansion is a key part of MIGA's role and mandate.

4.4 LEADING ON GLOBAL ISSUES

Climate change

4.4.1 Climate change poses an acute threat to global development. Its impacts are particularly strong on the poorest and most vulnerable members of society. By 2030, climate impacts could push an additional 100 million people into poverty. By 2050, as many as 143 million people in just three regions (Sub-Saharan Africa, South Asia and Latin America) could become climate migrants. Individuals, families and even whole communities will be forced to seek more viable and less vulnerable places to live. Continued global leadership and commitment to limiting climate change impacts at the country level will be critical to achieving the WBG's twin goals.

4.4.2 The WBG Climate Change Action Plan (CCAP) of 2016 is MIGA's starting point for climate change; the plan sets targets through 2020. With the CCAP's 2020 deadline approaching, the WBG presented new targets and actions to the Board,[24] which laid out the WBG's strategy on climate change through 2025.[25] The revised targets include: an average of at least 35 percent climate finance over FY21-25, expanding mobilization of private investment in climate to US$67 billion in total from FY21-25 and scaling up of climate adaptation and resilience actions.

[23] The Berne Union is the leading global association for the export credit and investment insurance industry.
[24] New CCAP presented for Board discussion and approval on Nov. 20, 2018. Board Document: SecM2018-0309.
[25] The majority of the targets and actions are with a time horizon of either FY21-25, by FY25 or, in a few instances, by FY30.

4.4.3 In FY20, MIGA conducted a pilot that screened real-sector projects for climate risk vulnerability. After a review and stock-take of lessons learned, the Agency will decide on next steps and then start systematic screening of climate risk for all sectors. It will also start to disclose aggregate gross and net Greenhouse Gas (GHG) emissions for guarantee operations[26] in key emission producing sectors in FY20 and apply a carbon price to the economic analysis of its relevant financed operations.[27] Initial disclosure of GHG emissions remains on track for FY20. MIGA continues to incorporate adaptation and climate risk into its IMPACT framework.

4.4.4 Meeting the WBG Climate Finance target will be a challenge for MIGA and for this reason the Agency is investing substantially in research to see how it can step-up its engagement. MIGA will continue to build its climate business in its existing focus areas namely; clean energy,[28] public transportation, green buildings, climate-smart agribusiness, and green finance. In parallel, MIGA is also exploring new ways the Agency could deliver climate benefits through its products. Initial concepts include: providing guarantees to support host-countries meeting their Nationally Determined Contributions (NDCs), supporting an emissions trading system (once established), green bonds, and battery storage. MIGA is also making progress in delivering its capital optimization product to financial intermediaries to target Climate Finance. The Agency is learning from IFC's evolving 'greening equity' approach, which promotes climate-friendly finance with its banking and other financial sector clients. As MIGA refines and confirms its Climate Finance work with financial institutions (including with the capital optimization product), we will inform the Board through the MIGA Executive Vice President (EVP) report.

Gender

4.4.5 Gender equality is vital to ending poverty and boosting shared prosperity. After extensive consultations the WBG launched its FY16–23 Gender Strategy in February 2016 and in April 2018 the Board met to discuss updates to that Strategy. The priorities of the Gender Strategy include improving women's access to more and better jobs and assets, expanding women's access to capital, insurance, technology and markets where gender disparities are vast, and tackling the barriers that prevent more women from entering and staying in the labor force (e.g., childcare and gender-based violence).

4.4.6 MIGA is currently integrating gender across its business operations and engaging with clients on incorporating women and men more equally as employees, entrepreneurs, customers and community stakeholders. Gender is also a cross-cutting theme in MIGA's Policy on Environmental and Social Sustainability. The Policy explicitly recognizes the role of women in private sector development, economic growth and poverty reduction. It also addresses gender by assessing the difference gender makes in project impacts, ensuring that its consultations are sensitive to gender, and taking gender-appropriate mitigation measures. MIGA works with clients to address gender-related risks and gender-differentiated impacts and is committed to creating opportunities for women through clients' investment activities.

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[26] MIGA will disclose aggregated gross and net GHG emissions across all direct investment projects that emit greater than 25,000 tCO2e annually and are committed during the fiscal year.

[27] MIGA will conduct the analysis for projects with annual emissions of more than 25,000 metric tCO2e in thermal power generation, cement and chemicals.

[28] While pursuing support for clean energy as a priority, the Agency will nonetheless follow the WBG policy laid out under 'Toward a sustainable energy future for all: directions for the World Bank Group' (2013), Report 79597.

4.4.7 MIGA has staffed the gender function within the E&S team and will be expanding the capacity in FY21. The current staffing helps provide on-going technical support through organized trainings on gender, and specifically gender-based violence, across the Agency. MIGA is also leveraging and learning from the IFC's Gender Action Plan. Recognizing that its role and influence with clients is different and more remote than that of the WB or IFC, the Agency will pursue the following gender initiatives in FY21-23:

- The Financial Institutions and Capital Markets team will look to support clients that focus on women-owned enterprises and expand women's access to digital financial services, insurance and housing finance. MIGA will look to collaborate with the Women Entrepreneurs Finance Initiative (We-Fi) where possible.
- The Agribusiness and General Services team will encourage clients to close gender gaps in value-chains and company workforces.
- The Infrastructure, Energy and Extractives teams will focus on gender-based violence risks inherent in the construction of major assets, especially in fragile and low-income countries.[29]
- The Environmental, Social and Climate team will ensure continued full and comprehensive compliance with MIGA's Performance Standards 1-8. The team will also incorporate gender-based violence, sexual harassment and sexual exploitation and abuse risk screening and assessments into their due diligence. During monitoring, the team will review how gender impacts and mitigation measures have created or improved gender equality.
- The Economics and Evaluation teams in MIGA will ensure gender is fully considered during ex-ante assessment,[30] indicator monitoring (e.g., using gender-disaggregated data wherever possible), and ex-post evaluations in partnership with IEG.

4.4.8 Within MIGA, the Agency will strive for gender parity across the grades and, together with WB and IFC, strive for EDGE Level 2 certification.[31] MIGA will also play its full part in helping the WBG achieve its goal of doubling the percentage of goods and services procured from women-owned business by 2023.

[29] Drawing upon the 'do no harm' approach detailed in "Gender Equality, Infrastructure and PPPs: A Primer" 2019, The World Bank Group.
[30] Supporting underserved populations, including women, is already part of the IMPACT system's Development Reach metric.
[31] Economic Dividends for Gender Equality (EDGE) is the leading global assessment and business certification for gender equality.

BOX 4: MIGA Gender CEO Award

On March 8, 2016 – in honor of International Women's Day - MIGA launched its Gender CEO Award program. The awardees to date have been:

- Nourah Mehyar, Nafith Logistics (2016)
- Helen Tarnoy, Managing Director, Aldwych Intl (2017)
- Julie Monaco, Global Head of the Public Sector at Citigroup (2018)
- Lara de Mesa, Head of Responsible Banking at Banco Santander Group (2019)
- Aissata S. Beavogui, Director General, Guinea Alumina (2020) Corporation (2020)

The Gender CEO Award is an important statement of intent from MIGA to recognize the contribution of women in the field of international investment.

Promoting the Power of Guarantees

4.4.9 MIGA's growth over the last ten years has positioned the Agency as a major MDB in the development landscape. As such, it is proud to be an advocate for the power of guarantees as a development tool with impact and scale. MIGA plans to continue in this role and intends to help MDBs work together to maximize the impact of guarantees to help achieve the World Bank's twin goals.

4.4.10 In October 2018 the G20 Eminent Persons Group (EPG) Report on "Making the Global Finance System Work for All"[32] made several references to and recommendations for MIGA. Proposal 4b called for the Agency to 'develop system-wide political risk insurance and expand the use of private reinsurance markets.' While MIGA welcomes the recognition for what it has achieved, the Agency can contribute even more to the international discourse on the guarantees and insurance, especially in partnership with other MDBs. For example, the G20 EPG Report recommended that 'MIGA and the MDBs should standardize contracts to help facilitate scaling up the provision of risk insurance.' MIGA's Legal Department responded by overhauling its standard contract templates in FY19. The new standardized contracts help reinforce MIGA's leading role in providing political risk insurance.

4.4.11 The Insurance Development Forum (IDF) provides another opportunity for the Agency to champion the role of insurance and guarantees as a development tool. The IDF is a public/private partnership led by the insurance industry and supported by international organizations; it was officially launched by leaders of the United Nations, the World Bank and the insurance industry in 2016. MIGA's

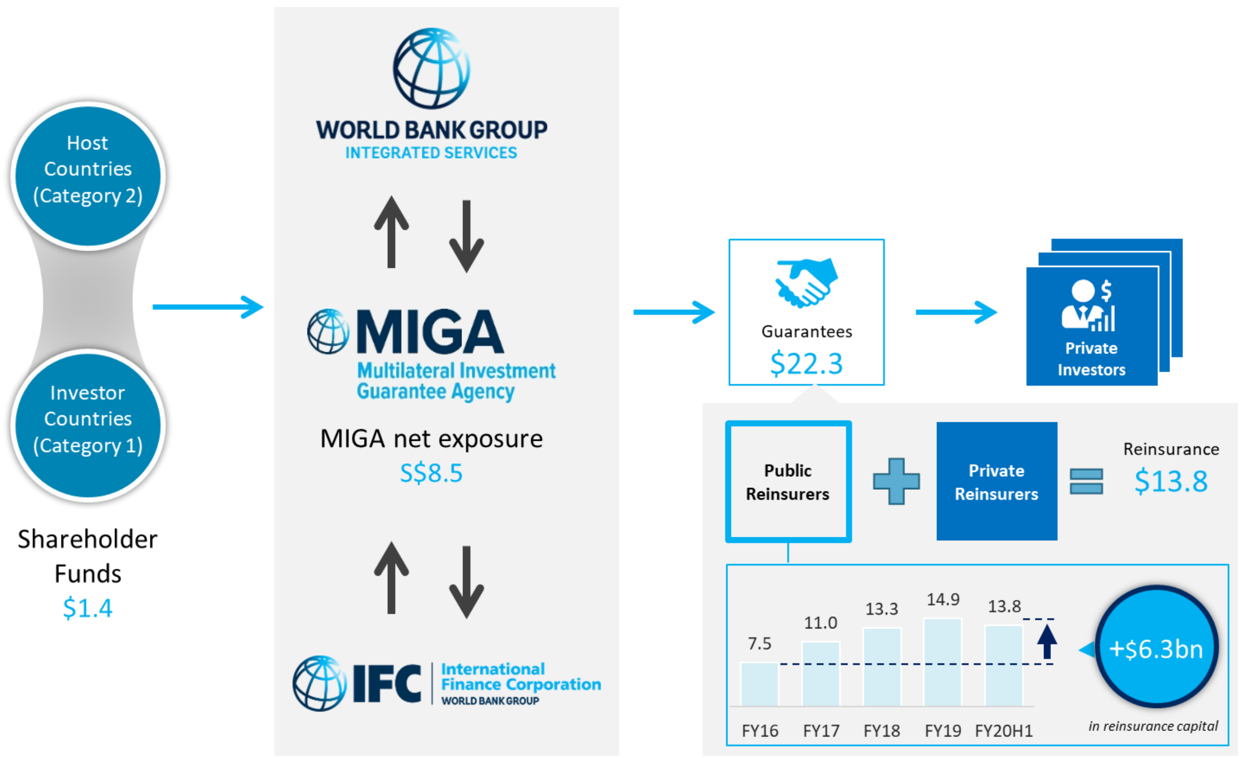
[32] https://www.globalfinancialgovernance.org/assets/pdf/G20EPG-Full%20Report.pdf

EVP is co-chair of the IDF Steering Committee. The Agency's and the wider WBG's partnership and collaboration with the IDF promotes the broader use of insurance to address key development challenges including: Sovereign & Humanitarian Solutions; Risk Modelling; Law, Regulation and Resilience Policies; and Inclusive Insurance Investments. Going forward, MIGA will deepen its engagement with the IDF to help address these issues, especially the challenge of facilitating processes and increasing impact for insurance companies that want to invest in emerging markets.

4.5 ENHANCING THE BUSINESS MODEL

4.5.1 MIGA's business model leverages the full WBG along with public and private reinsurers to multiply the impact of its member countries' investments. As shown in Figure 9, MIGA utilizes prudent operating practices to create billions in guarantees from a small amount of shareholder funds. As of December 31, 2019, the Agency supported US$22.3 billion of gross exposure with shareholder funds of US$1.4 billion, which translates to US$16 of gross exposure for every US$1 of shareholder funds. MIGA also expanded its financial capacity by raising its reinsurance and overall guarantee limits. After almost doubling its reinsurance levels from US$7.5 billion in FY16 to US$13.8 billion in the first half of FY20 and increasing its guarantee limits, the Agency increased its guarantees capacity and is making more efficient use of its existing capital.

Figure 9: Financial Capacity Leveraged by MIGA Guarantees (USD billions)

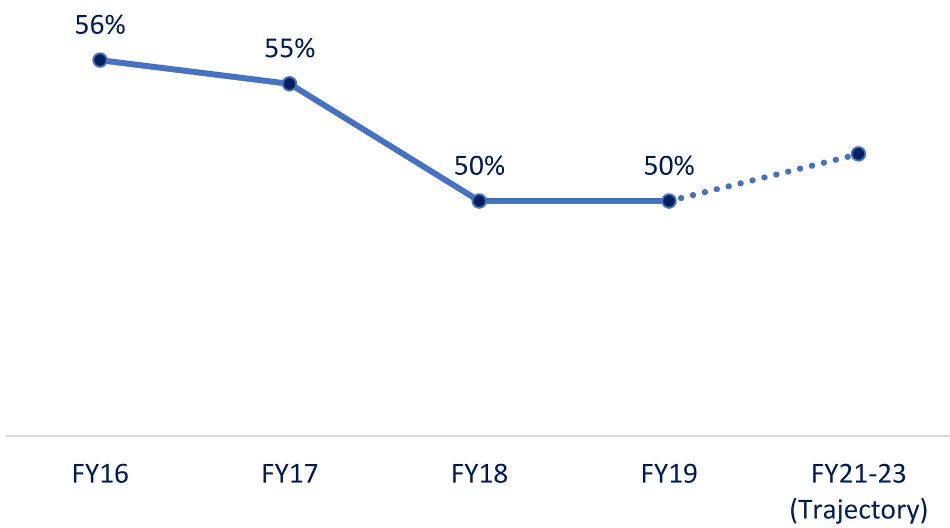


As of December 31, 2019

Operational effectiveness and cost efficiency

4.5.2 MIGA has improved its cost efficiency over many years. Net Premium Income has grown as the portfolio has grown and costs have been contained through space compression, efficiencies from the WBG-wide expenditure review and a review of shared service agreements. This commitment to cost containment and business growth led to a consistent improvement in MIGA's expense to premium income ratio, moving it from 56 percent in FY16 to 48 percent at the end of FY20H1. This has consistently been well below the management-approved cap of 75 percent (Figure 10). However, we believe that more efficiency gains are unlikely and further output growth in terms of guarantees and projects will require additional resources. Section 8 discusses this further.

Figure 10: Administrative Expenses to Net Premium Income Ratio



4.5.3 The Agency implemented a series of recommendations from its review of business processes early in FY18, including an update of its Roles and Responsibilities Directive. MIGA also refreshed its key underwriting document templates, eliminating unnecessary or repetitive elements and rationalizing various sections. Nevertheless, the median time from early screening by MIGA to contract signing has increased from six months in FY17 to nine months in FY19. This is predominantly driven by the increased number of transactions in IDA/FCS environments, which take significantly more time because of factors outside MIGA's control.

4.5.4 The Agency will have to moderate this trend as it starts to underwrite more projects during FY21-23, including more in IDA/FCS countries. MIGA has already begun a reform process, recently establishing an internal working group to look at critical issues which might unnecessarily delay processing times. The working group will collaborate with and learn from the World Bank's Agile Bank Program and Technology and Innovation Lab. MIGA will also investigate ways to expand its Small

Investment Program to reduce the processing time for small projects.[33] The SIP program is especially useful in IDA/FCS countries and small island states.

Human Resources and Global Footprint

4.5.5 MIGA's staff are its most crucial asset. The Staff Engagement Survey of 2019 showed that the Agency's staff are proud to work at MIGA and the WBG. The Engagement Index of 79 percent is a welcome sign of broad satisfaction, although there remain areas that the Agency will need to address.

4.5.6 MIGA will implement the WBG Human Resources Strategy for FY20-22 with consideration of the Agency's size and business model. The Agency receives substantial human resources support from the WB HR Vice Presidency which is governed through a Shared Service Agreement which provides dedicated HR Department support. This encompasses help with both efficient recruiting and the Agency's representation in WBG recruitment programs (including the WBG Young Professionals Program, the Global Secondment Program and the Donor Funded Staffing Program). MIGA's Learning team collaborates closely with the HR Vice Presidency Leadership and Staff Development team and participate in WBG's Leadership Development and Staff Learning programs, as well as the Presidential Exchange Program in the past. MIGA will work to rotate staff through, and welcome staff from, the WB and IFC to enhance cross-institutional learning and has retained a developmental assignment budget to encourage this.

4.5.7 Delivering on the program outlined for FY21-23 will require additional staff, driven by more gross issuance overall, more issuance and related risk management in IDA/FCS, more innovation, and more reporting requirements and governance controls. MIGA's staff headcount for FY20 is 148 and the expectation is that in FY21 this will grow to an estimated 159. Looking to FY22-23, headcount increases are likely to be in line with a real five percent budget increase over that period as detailed in Section 8.

4.5.8 Additional staff will be needed to carry out almost all of the strategic directions, including:

- Front-line operations, E&S, risk management and legal support
- Prudent development and implementation of new product applications carefully and prudently
- Leveraging and operationalizing the mutual synergies in the upstream agenda (Section 5.2)
- Ramp up of the MDB Partnership program

4.5.9 To deal with the HR challenges that will accompany these changes, the Agency will develop a MIGA-specific HR strategy which will cascade from and be aligned with the WBG HR Strategy FY20-22.

4.5.10 MIGA's existing global staff footprint appropriately reflects its strategic focus on supporting cross- border investment and lending into IDA/FCS. As Figures 11 and 12 show, the vast majority of FDI and commercial debt that is invested into IDA/FCS comes from Europe and Asia. Consequently, the Agency has staff in Paris, Singapore, Seoul, Tokyo and Beijing. A small proportion of cross-border investment into IDA/FCS comes from Africa, where MIGA has opened two offices in recent years, in Senegal (2016) and Kenya (2020).

[33] MIGA has no formal minimum size of project or guarantee, despite the fact that smaller projects and guarantees are often cost inefficient. However, small projects and guarantees are important for serving IDA/FCS and Small States, and many have high expected development impact despite their size.

Figure 11: Cross-border Greenfield and M&A FDI into IDA/FCS Countries

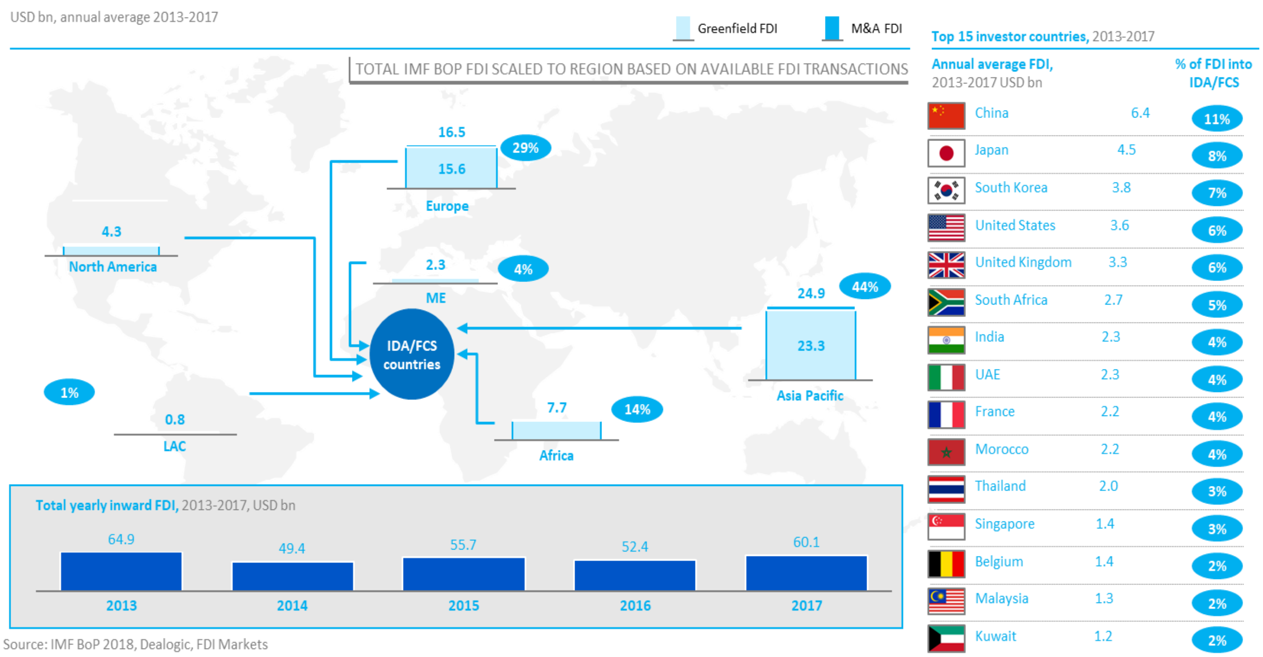
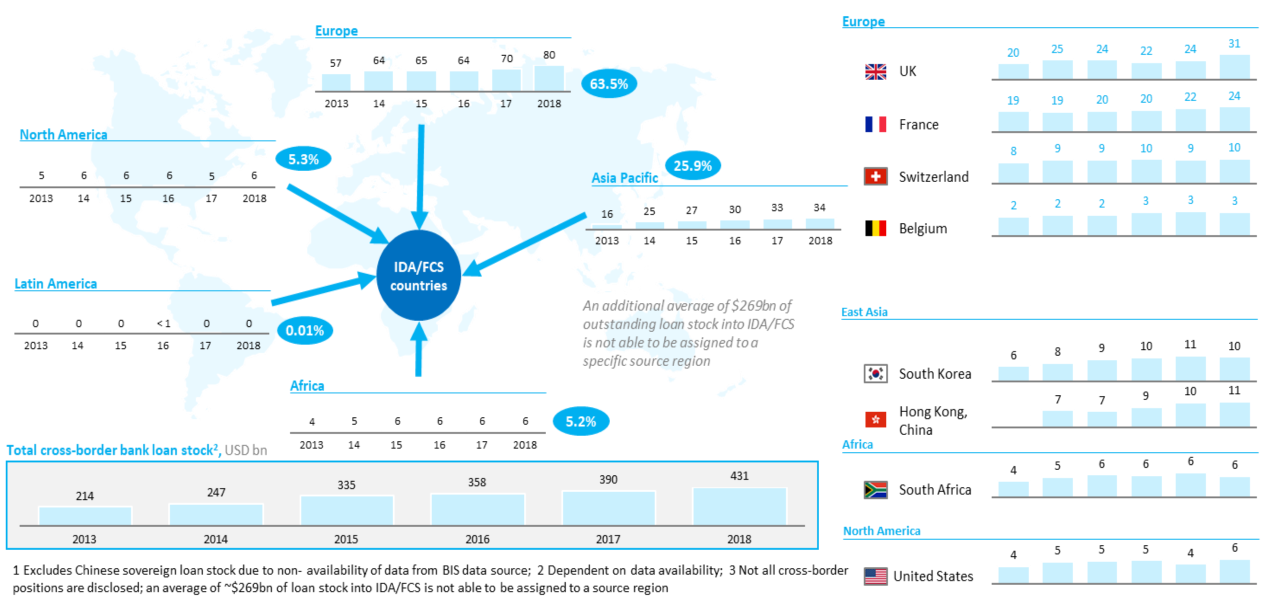


Figure 12: Cross-border Bank Loan Stock into IDA/FCS Countries, USD bn, 2013-2018[2]



4.5.11 The Agency will continue to leverage WB's and IFC's greater staff presence in country offices to promote MIGA, especially as the WB and IFC expand their global footprint. This approach has proven effective, although regular outreach and training on MIGA products and their application is needed as WB and IFC staff rotate through offices. As the Agency moves forward, it will also place additional staff overseas, mostly in WB and IFC hubs that are centers of business for emerging markets, so they can better coordinate with these sister agencies and clients to identify ways for MIGA to add value and deliver impact.

4.5.12 On learning, the Agency has taken several steps to ensure that staff can excel and maximize their potential. This approach is expected to increase staff engagement and productivity and help deliver MIGA's program. Measures include:

- An enhanced training program which provides MIGA-wide technical, operational, and skill building learning activities.
- A career workshop program that aids employees in career path planning.
- Revised job titles that better reflect staff skills and responsibilities.
- The opportunity to participate in strategic development assignments in collaboration with WBG partners, which expands the experiential learning and career opportunities of MIGA staff through rotational assignments in MIGA and other WBG entities.

4.5.13 The learning program will also strengthen new staff induction so that staff receive the tools and support needed to rapidly integrate into project teams. Training will also address underwriting technical expertise, new product applications and other more specialized areas including gender-based violence, and climate change. MIGA's training team will also collaborate with WBG and IFC to increase MIGA's capacity in upstream partnerships. Specific training opportunities were introduced over the last several years and will be continued going forward:

- An intense induction program for new hires focused on MIGA business products.
- A core credit training program specifically designed for MIGA in partnership with the University of Virginia.
- Chartered Financial Analyst, Project Finance and Certified Public Accountant trainings.
- Formal underwriting best-practice exchange program.
- Multiple new leadership training opportunities.

Additionality

4.5.14 Article 2 (c) of MIGA's Convention states that "The Agency will in particular seek to guarantee investments for which comparable coverage on reasonable terms is not available from private insurers and reinsurers." MIGA firmly believes that it is fully additional to the private market and to export credit agencies.[34] From structured surveys, interviews with clients and brokers and project evaluations, there is evidence that MIGA provides both financial and non-financial additionality in multiple ways:

4.5.15 Financial additionality:

- *Availability of insurance:* Opens coverage in countries typically closed to private providers
- *Increasing tenors:* Provides longer tenors (up to 20 years) in countries where the private sector typically provides only shorter tenor (5-10 years)
- *Competitive pricing:* Provides coverage in very challenging markets at a reasonable price, where the private market would typically offer such coverage at a very high premium

[34] MIGA was part of the taskforce for the 'Multilateral Development Banks' Harmonized Framework for Additionality in Private Sector Operations' released in 2018.
https://www.adb.org/sites/default/files/institutional-document/456886/mdb-additionality-private-sector.pdf

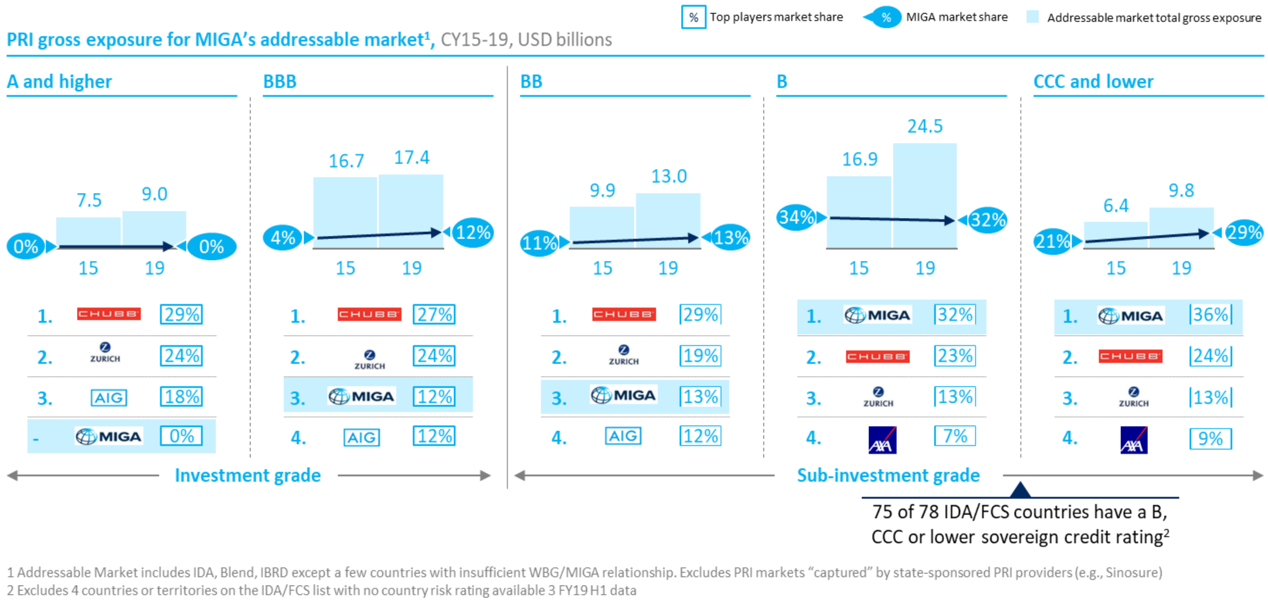
- *Accessing funding:* Helps investors obtain project finance from banks
- *Lowering borrowing costs:* Helps reduce risk-capital ratings of projects, which leads to lower borrowing costs
- *Mobilizing reinsurance capacity:* Provides guarantee support for almost any size project through MIGA's ability to secure reinsurance
- *Capital Relief:* MIGA's recognition by the Basel Committee on Banking Supervision as a highly-rated multilateral provides banks with important capital relief when using the Agency's PRI and NH products

4.5.16 Non-financial additionality.

- *Avoiding disputes:* Clients highly value MIGA's 'umbrella effect' because it is part of the WBG
- *Resolving disputes:* MIGA's very low claims paid ratio accurately reflects its ability as an honest broker to avoid letting claims come to fruition which is a negative outcome for all parties involved
- *Prompt Claims payment*: When claims do need to be paid, MIGA is able to pay them promptly using a strong balance sheet and a stable stream of operating income
- *Knowledge sharing:* MIGA has deep technical expertise on guarantee contracts and the underlying projects
- *Standards setting:* MIGA's high E&S and integrity standards are seen by many clients and reinsurers as an important accreditation for projects. Compliance with these standards also reduces political risks for the project.

4.5.17 Going forward MIGA will continue to explain its additionality in the 'Role and Contribution' component of each project Board Paper presented to the MIGA Board. The Agency will also continue to track and report data (such as that in Figure 13) which clearly demonstrates that MIGA is weighted more toward the highest risk markets. Finally, when MIGA makes use of a blended-finance instrument such as the MGF or CAFEF it will provide a clear rationale for why it could not pursue the transaction without such support.

Figure 13: MIGA's Market Share by Risk Category is Heavily Weighted to the Higher Risk Categories



Environment and Social Risk Management

4.5.18 MIGA's Policy on Environmental and Social Sustainability (2013) (Sustainability Policy), MIGA's Performance Standards on Environmental and Social Sustainability (Performance Standards) and MIGA's Access to Information Policy (2013) (AIP) will remain the primary elements of the Sustainability framework for MIGA's evaluation of E&S risks and/or the impact of proposed projects.

4.5.19 The Agency will continue assessing investment projects against applicable Performance Standards and, in accordance with the AIP, publicly disclose a Summary of Proposed Guarantee (SPG), Environment and Social Review Summary (ESRS) and, if needed, an Environment and Social Action Plan (ESAP)[35] with commitments that will be undertaken by the project enterprise. In March 2016, MIGA issued an internal Tip Sheet on Integrating the Assessment of Contextual Risks in E&S risk assessment; it consulted with IFC and IBRD/IDA colleagues on this and the Tip Sheet contributed to the IFC Contextual Risk Screening tool. The recently launched (July 2019) Environmental and Social Review Documentation (ESRD) system is expected to equip MIGA E&S staff to capture due diligence and monitoring requirements for projects, generate reports and statistics that the E&S team and MIGA Management can use to track portfolio performance and provide input to corporate reports. The Agency has also been actively working with the Multilateral Financing Institutions (MFI), various working groups on Environmental and Social Standards (ESS) and harmonization efforts across E&S work. MIGA hosted its first MFI ESS working group meeting on Nov 6-8, 2018.

[35] ESRS, and if needed ESAP, are only applicable to Category A or Category B projects in non-financial sector business activities corresponding to activities supported by MIGA guarantee(s) in agribusiness, manufacturing, services, telecommunication, infrastructure, oil, gas, mining and/or chemicals projects.

4.5.20 According to the Sustainability Policy, MIGA can rely on others' work to address environmental and social risks. As part of its Partnerships agenda, the Agency will identify more ways to reduce duplication and the burden to clients who are working with multiple MDBs. MIGA has also been engaged by the European Bank for Reconstruction and Development (EBRD) and the Inter-American Development Bank (IDB) to help update their sustainability policies and frameworks (see Section 5.3).

4.5.21 In FY19 the Committee on Development Effectiveness initiated an External Review of IFC's and MIGA's E&S Accountability, including CAO's Role and Effectiveness. The final report is due in 2020 and MIGA Management are looking forward to reviewing and responding to the findings. As the Agency expects to support more projects each year and more in high-risk environments, it will also need more E&S staff to handle the increased workload.

4.5.22 As a result of the recent COVID-19 outbreak, MIGA is exploring different means of supporting existing clients and coordinating with colleagues to have a common WBG approach to addressing COVID-19 in clients' workplaces. MIGA is also considering potential challenges to clients in meeting their ESAP commitments and will use a risk-based approach to consider updating these commitments/timelines. Because E&S due diligence and travel is challenging under the COVID-19 environment, MIGA is exploring the use of digital means and cross-support from IFC/IBRD or in-country consultants to meet client needs and timelines to close projects in FY20. The Agency is also working with IFC/IBRD to improve stakeholder consultation guidelines and tip sheets that minimize the risk of COVID-19 transmission.

Integrity

4.5.23 MIGA's brand is based on the very highest standards of underwriting, its environmental and social standards, and the integrity of its clients and the projects it supports. The Agency knows that integrity and reputational risk management are essential to this brand and, with it, its long-term business.

4.5.24 MIGA subscribes to the WBG's Anti-Corruption Guidelines, which identify fraud, corruption, collusion, coercion and obstruction as major impediments to development and considers them sanctionable practices. Recognizing the negative impact that tax evasion has on cross-border private sector development projects, MIGA (along with the IFC and World Bank Guarantees) is updating and reconceptualizing its prior policy to promote tax good governance in projects it supports.

4.5.25 When considering clients and projects, the Agency examines potential integrity and reputational risks including allegations/charges/convictions; tarnished market reputation; non-transparent beneficial ownership, the presence of politically exposed persons, or entities or individuals on WBG or UN Sanctions lists; opaque procurement; unusually complex investment structures; and project/partner potential for tax evasion, money laundering or terrorist financing.

4.5.26 MIGA's Integrity team will continue to conduct due diligence as part of business development and underwriting and monitor projects in the portfolio for potential emerging integrity or reputational risk flags. In this work, the Agency uses desktop resources that include proprietary databases, the Integrity Vice-Presidency, World Bank and IFC local knowledge, market soundings, previous experience with the client and on-site evaluations. When necessary, MIGA may have third parties conduct background investigations.

4.5.27 MIGA continues to share best practices on integrity in its collaboration with IFC and other development partners and at various fora, including the MDB Integrity Heads meeting and the International Corruption Hunters Alliance.

5. DELIVERING THE FY21-23 STRATEGY

5.1 As discussed previously, if the small number of projects over US$1 billion are excluded, MIGA has provided US$3-US$4 billion of 'core' guarantee issuance per annum over recent years with an average of 35-45 projects per year. Although the Agency will continue to support large transactions that have sufficient development impact, it will reduce its reliance on these for business purposes because such projects create uncertainty in gross issuance and an overreliance on one or two projects per annum. However, supporting more projects, especially in IDA/FCS, will be particularly challenging. FDI into these markets is trending down and the impact of the COVID-19 pandemic is unknown but will likely be significant and long-lasting. In addition, MIGA already has an estimated 35 percent of the market in these countries. The Agency will need to find new ways to expand its market while delivering significant impact in IDA/FCS countries, in Climate Finance and responding to the COVID-19 crisis.

5.2 To achieve the next level and equip MIGA to issue US$5.5-US$6.0 billion of guarantees a year with 30-33 percent in IDA/FCS and a step-change in Climate Finance, the Agency will pursue three initiatives that can grow its markets:

- Increase its **innovation and new product applications**. MIGA is already developing six product application innovations: capital markets solutions; select local currency solutions; capital relief, especially for project finance; trade finance; systematic IFC-MIGA product collaboration; and support for local investors.
- Closer collaboration with the World Bank and IFC, especially to **leverage their expanded upstream work**, which will generate more investable transactions.
- Strengthen action-oriented **partnerships and collaboration** with other Multilateral Development Banks and Export Credit Agencies to offer more complementary and comprehensive products and solutions.

5.3 Some of these approaches are ongoing efforts that will receive greater energy and focus; others are fresh ideas generated internally by staff and management. Each of these initiatives supports the four strategic directions discussed in Section 4. The Sections below provide more detail on the initiatives and outline their contribution to these strategic priorities.

5.1 NEW OPPORTUNITIES FOR PRODUCT APPLICATIONS

5.1.1 Innovation has and will continue to make it possible for MIGA to do more with its limited range of products. This broadens its development impact, delivers more creative solutions to its clients and mobilizes greater private sector investment in developing countries. The investment market for developing economies is continuously evolving, and the Agency is also evolving so it will continue to have the impact it desires in this market. It is cultivating and rewarding an internal innovation culture, one where new approaches are encouraged, but also where the evolving needs of the client countries are kept in clear focus even as the global market environment shifts.

5.1.2 To deliver the growth in the proposed program for FY21-23, especially in IDA/FCS and Climate Finance, MIGA is exploring several new product applications. The following six concepts are an initial list and may be amended from time to time. The Agency will constantly try to develop more product applications that deliver impact.[36] Many of these concepts are interrelated and mutually supportive; for example, expanding into trade finance overlaps with building joint IFC-MIGA product lines. The Agency is particularly seeking new product application opportunities that would:

- have significant development impact in IDA/FCS
- support Climate Finance
- support the COVID-19 response
- help make MIGA truly additional to the private market and other MDBs
- be replicable and scalable

Trade finance

5.1.3 The WBG Trade Strategy (2011-2021) details the significant development impact of expanding global trade, and the unique role of the WBG in supporting diversified and robust value-chains which are critically important to ensure the benefits of globalization are shared broadly.[37] MIGA already supports trade finance indirectly by providing guarantees that help financial institutions such as export/import (EXIM) banks and trade and development banks access financing. For example, MIGA used its Non-Honoring product to support Hungary EXIM Bank in 2017 for a €332.5m loan which was used to expand their work with Hungarian SMEs and exporters. Similarly, between 2014 and 2018 MIGA provided three guarantees totaling almost US$2 billion to support Turk EXIM Bank's work with financing of export-oriented credit-constrained SMEs in Turkey, with a specific focus on supporting job creation and retention. To expand this work, the Agency is looking at mechanisms to provide trade-finance directly through providing medium/long-term buyers' credit and short-term trade finance. MIGA would support buyers' credit and trade finance in favor of sovereign or sub-sovereigns/SOEs and focus such efforts on IDA/FCS countries where trade plays such a vital role in economic activity and development.[38]

5.1.4 Initial estimates are that MIGA could grow its trade finance program to US$2-4 billion per annum over time with a significant proportion directed to IDA/FCS countries. MIGA is in early discussions with IFC about leveraging their proven and effective trade finance and guarantee platforms to deliver such a program; this would come under the refreshed IFC-MIGA Partnership Agreement. Trade finance would be an effective tool to increase engagement in IDA/FCS and Climate Finance and would also be an effective COVID-19 response.

Select local currency solutions

5.1.5 MIGA is looking to expand the range of currencies in which it is able to provide guarantees beyond the current five freely usable currencies.[39] This would strengthen regional integration, diversify FDI flows and support south-south investors. Local currency solutions could expand financing for municipal infrastructure including waste disposal, water provision and housing. Figures 11 and 12 show that a substantial portion of FDI and cross-border commercial lending into IDA/FCS comes from countries which use currencies other than freely usable currencies for cross-border investment. MIGA is researching the implications of this for its work and is already offering guarantees in the South African Rand, in one example.

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[36] Including by collaborating with the WBG Innovation Exchange and other WBG initiatives.
[37] See IEG "An Independent Evaluation of World Bank Group Support to Facilitating Trade 2006-17: Grow with the Flow" (June 29, 2018).
[38] IFC extended US$4.5 billion in short-term trade finance in FY19, of which $2.5 billion was in IDA/FCS countries.
[39] USD, Euro, GBP, JPY and RMB.

Exploring options to support local investors

5.1.6 MIGA's Convention precludes it from supporting domestic investment. However, domestic investment makes up the majority of the total investment in EMDEs and is especially the case in IDA/FCS (Figure 14). The Agency gained some experience in supporting local investments through the West Bank and Gaza Trust Fund (to which the Convention does not apply). The experience there indicated that support of local investments, which typically have a smaller size, can have a significant impact. This is especially true in the agribusiness and manufacturing sectors which have high direct employment intensity. MIGA is therefore exploring various avenues that are consistent with the Convention where it could partner with foreign direct investors and provide support. This analysis is at a very early stage.

Regulatory relief

5.1.7 Basel regulations for many commercial banks and Solvency 2 regulations for many insurance companies make it difficult for them to invest in EMDEs. MIGA will conduct research to determine how it can adapt its products to provide further capital relief within clients' applicable prudential regimes. For example, the Agency is investigating whether it could broaden the application of its capital optimization product with banks, augment its currency transfer and convertibility product to cross-country bank loans and combine its current suite of PRI products with the liquidity cover of other MDBs. All of these approaches could provide capital relief and expand client lending. As discussed earlier, MIGA is having extensive discussions with client banks and FIs on how they can use its products to free up capital to expand Climate Finance. The Agency plans to promote this more. Such products are also likely to be in demand as a response to the COVID-19 crisis as they could encourage banks to remain in EMDEs and continue lending. This is a continuing exercise and discussions are underway with various client banks and FIs.

Capital market solutions

5.1.8 MIGA's historical and traditional support has been for project finance and, increasingly, corporate finance transactions. However, debt capital markets will be increasingly important when enhancing financial access for firms in EMDEs.[40] The Agency will research ways to usefully apply its products to upgrade bond ratings. For instance, it could enhance the credit of a bond from a sovereign, sub-sovereign, state-owned enterprise or state-owned bank. Alternatively, MIGA could support a private institution's project or general-purpose bond issuance with PRI. There is also a small but rapidly growing market for green bonds; the Agency will seek to support these in particular along with continued international credit access for EMDEs that are deeply affected by the COVID-19 outbreak.

Expanding joint IFC-MIGA product lines

5.1.9 MIGA is discussing opportunities with IFC to collaborate in a systematic way and expand joint offerings to clients on a platform or programmatic basis. This will complement its current project-specific approach. For example, as discussed under trade finance (5.1.1), the Agency could work with IFC to jointly offer commercial *and* state-owned banks trade and export finance guarantee coverage. MIGA and IFC could also collaborate to release capital for commercial banks by providing guarantees

[40] See World Bank Capital Markets brief: worldbank.org/en/topic/financialsector/brief/capital-markets

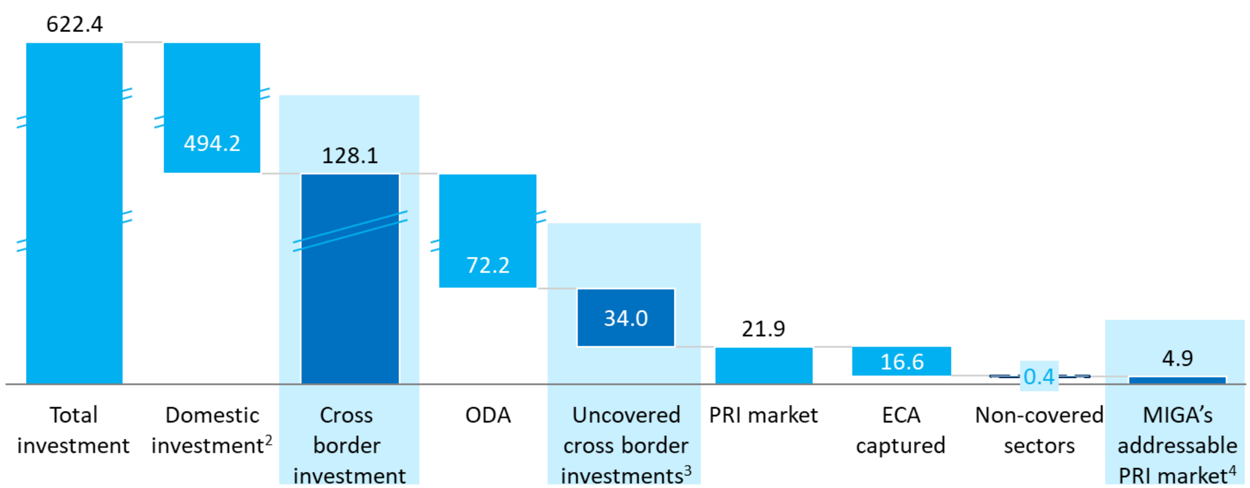
on the banks' existing portfolios of both commercial and sovereign/state-owned assets. Finally, the Agency is discussing opportunities to provide explicit political risk cover to help IFC mobilize and syndicate debt financing as it expands its mobilization program. These initiatives would fall under the umbrella of a refreshed IFC-MIGA Partnership Agreement, which is under discussion.

5.1.10 Should any of these new opportunities require changes to the Agency's Operational Policies or Convention, MIGA Management will approach the Board and Governors at the earliest opportunity. It will inform the Board of progress with these new product applications through the MIGA EVP Reports, and the first new product application in support of a project will be presented through full Board procedures.

5.2 LEVERAGING WB AND IFC UPSTREAM WORK

5.2.1 As described previously, the WB and IFC are taking the lead on building the upstream pipeline of investible projects. Growing the pipeline of investible projects is the key challenge for MIGA, in IDA/FCS markets particularly. As Figure 14 also shows, MIGA's addressable market for FDI into IDA/FCS averages US$4.9 billion per annum; Figure 15 highlights the Agency's already significant share of this market. Therefore, MIGA along with the wider WBG and all MDBs must work together to 'grow the pie' and generate more investable transactions in EMDEs and especially in IDA/FCS.

Figure 14: Overview of Annual Investments in IDA/FCS Countries, USD billions (2013-2017 average)



1 Annual data calculated by averaging the 5 year total from 2013-2017

2 Gross fixed capital formation (current US$) from World Bank National Accounts Data

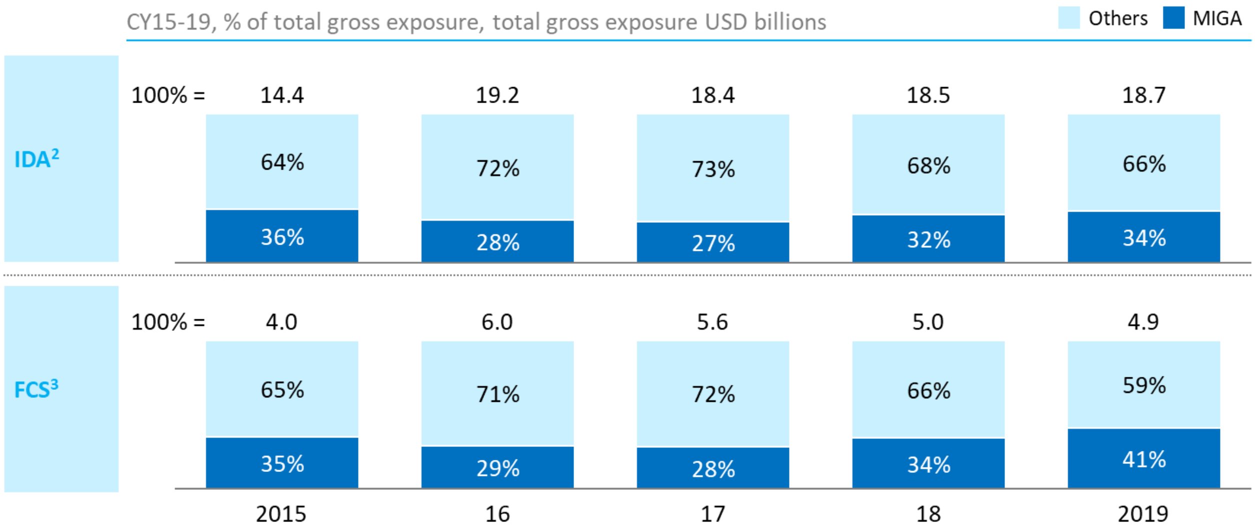
3 Includes some bonds and government to government loans generally not eligible for PRI

4 The addressable market is the PRI market, excluding ECA captured coverage and sectors MIGA does not cover

SOURCE: IMF BOP, UNCTAD, Berne Union, Dealogic, World Bank

Note: Includes ~$270mn cross border investment into tobacco, ~$200mn of which is into Ethiopia

Figure 15: Share of PRI Gross Exposure in Priority Areas within MIGA's Addressable Market



1 Addressable Market includes IDA, FCS, IBRD except few countries with insufficient WBG/MIGA relationship. Excludes PRI markets "captured" by state-sponsored PRI providers (e.g., Sinosure)
2 All IDA18 borrowers (including blend and gap), plus Bolivia, Sri Lanka and Vietnam 3 FCS based on IFC definition (if the host country was FCS in the year of issuance or any of the 3 previous years)
SOURCE: Berne Union

5.2.3 MIGA will not move upstream itself, as the Agency complements rather than generates market growth, but instead collaborate even more closely with the WB and IFC to support their upstream work. The Agency is already fully integrated into each WBG Country Partnership Framework and plans to expand its participation in Country Private Sector Diagnostics, which can strongly advance the Agency's contribution to the JET agenda. It is also in early-stage discussions with IFC about leveraging IFC's Country Strategies in target countries and beyond. Finally, sector-based frameworks such as the Financial Sector Assessment Programs and Infrastructure Sector Assessment Programs offer MIGA an opportunity to collaborate with the WBG (and IMF where relevant) and identify project and program opportunities earlier.

5.2.4 The Agency will also leverage the country platforms of partner MDBs, especially for those countries where collaboration is already strong. Similarly, it will work with the client countries' own planning tools and engage with these. This will be especially true for the Nationally Determined Contributions commitments on reducing national emissions and adapting to the impacts of climate change. MIGA can also showcase its de-risking products on other platforms, such as the G20 Compact with Africa. Given MIGA's limited staffing, it will be important for staff to allocate their time to those upstream country-based frameworks that offer the most opportunity to attract foreign investment, which are also where the Agency's products can be most usefully deployed. Country frameworks make meaningful contributions to all of MIGA's strategic directions. They particularly promote the Cascade approach, which supports and spurs market creation, and promote the power of guarantees and Climate Finance – two of the global issues the Agency is pursuing.

5.2.5 As mentioned previously, MIGA is in discussions to refresh and renew the IFC-MIGA Partnership Agreement to deepen collaboration on IFC's upstream expansion under IFC 3.0 and the creation of Global Upstream Units. Since 2011 this Agreement has led to MIGA supporting 104 new projects made possible either through client referrals and/or shared due diligence on joint projects from IFC. MIGA has paid IFC US$27 million in fees toward this end.

5.3 MDB AND ECA PARTNERSHIPS

5.3.1 The Agency's collaboration with MDBs is essential for MIGA to increase its annual issuances, deepen its impact in FCS and IDA countries, and serve all its clients. To this end, the 2018 G20 EPG Report makes several relevant recommendations regarding the global financial architecture and governance of the system of International Financial Institutions.[41] One recommendation calls on MDBs to "as a system, leverage on MIGA as a global risk insurer to development finance."[42] Specifically, the EPG Report proposes the following: (1) establishing a joint advisory board with participating MDBs to guide joint activities, oversee standards and pricing norms, and support collaboration; and (2) scaling up current risk insurance operations by standardizing contracts and processes and expanding the use of private reinsurance.

5.3.2 MIGA has taken concrete steps to implement the EPG's proposals while considering the advantages and constraints of working with other MDBs. As a first step, it engaged MDBs in a multilateral discussion platform to assess the opportunities for collaboration and the constraints toward that end.

- On October 16, 2019, MIGA hosted the first ever MDB Guarantee Conference during the 2019 WBG Annual Meetings. The Guarantee Conference was attended by senior leadership of MDB organizations and presented MIGA with the opportunity to elicit support for more systematic collaboration.

- On February 25, 2020, MIGA hosted an MDB Technical Guarantee Workshop covering the complementarity of the various MDBs' mandates and products, project typologies that serve as examples of successful MDB collaboration, and good practices with regard to multilateral collaboration.

5.3.3 MDBs initially expressed reservations around the idea of MIGA serving as the risk insurer of choice for the multilateral community; their concern was whether this simply meant the Agency would cannibalize existing pipelines and provide coverage when it was not required for projects to succeed. However, the discussions evolved as MIGA turned the focus toward examples of highly impactful projects involving multiple MDBs playing different roles to de-risk the project, which would not have been possible if the MDBs had not come together. These examples generated discussion and ideas around a systematic approach to building joint project pipelines, as opposed to project-level cooperation on a "one-off" basis. MDBs agreed that harnessing their complementarity would "grow the development pie" rather than lead to a fight over the existing pie. The Nachtigal hydro-power plant in Cameroon is an excellent example of the three parts of the WBG each bringing their expertise and products to bear, and through that mobilizing other Development Financial Institutions (DFIs) to ensure a high-impact project was appropriately structured and financed (Box 5).

[41] The 2018 Report of the G20 Eminent Persons Group on Global Financial Governance, entitled "Making the Global Financial System Work for All."
[42] See EPG Report, p.39.

Box 5: Nachtigal: The Power of the WBG and other Development Finance Institutions coming together

Cameroon: nearly **10 million people** (40 percent of the population) still **lack access to electricity**. Cameroon urgently needed more power generation but could not afford the project's price tag: the country is under an IMF program and its risk of external debt distress remains high.

Big-scale
Nachtigal is a €1.2 billion hydropower project to produce 420 MW

Increasing Generation
Will increase the country's power-generation capacity by nearly a third

Cheap Power for all
Will sell electricity at around €0.06 cents a kilowatt hour

IBRD Contribution
Upstream: sector dialogue, DPO
Payment Guarantee: $100 million
Loan Guarantee: $200 million

IFC Contribution
€60 million in equity, €110 million loan & mobilize €916 million from 11 DFIs and four commercial banks.

MIGA Guarantees
€190 million in political risk insurance to support sponsors' equity.

WBG Collaboration
Electricity will be transported by a company that has recently been created and is supported by a $325 million WB financed project

Innovative Tools
Debt package includes a CFA franc-denominated tranche of €170 million with a maturity of 21 years.

High Impact
It earned the highest-ever IFC AIMM—Anticipated Impact Measurement and Monitoring—score

Cascade Approach
MFD to foster greater partnership across the IFC, MIGA, and the World Bank.

5.3.4 To "grow the pie" and do more projects, MDBs recognized that they must overcome common challenges that can discourage collaboration. During the various discussions, the group reached broad consensus on certain principles of collaboration that should guide MDBs' behavior and set the right incentives that will encourage institutions and staff to collaborate rather than compete. These principles include: enhance MDBs' understanding of each other's products, streamline processes, share information and due diligence and increase upstream coordination.

5.3.5 Based on the consensus reached and the objectives stated, MIGA has undertaken the following next steps in its engagement with the MDBs:

- *MDB Handbook*–The Agency will finalize and publish a handbook that sets forth project typologies that will underpin MDB collaboration with MIGA and the principles of collaboration that will streamline MDB processes and standards. The Handbook will serve as a guide for best practices on successful structures that are market-tested and will serve as the framework for the negotiation of bilateral business agreements.

- *IFC-MIGA Joint Business Agreement Refresh* – MIGA and IFC will update their joint business agreement by the end of FY20, drawing from the Handbook and lessons learned from the ongoing relationship. The refreshed agreement will focus on additional areas of cooperation, enhanced upstream collaboration, and building the joint pipelines discussed in this SBO.

- *MIGA-IDB Invest Joint Pipeline Business Agreement* – MIGA is in discussions with IDB Invest to develop a joint pipeline of projects that capitalize on the comparative advantages of each institution. This agreement will draw on the typologies and principles in the Handbook and is expected to go into effect early FY21. It will serve as a template that the Agency can replicate with other MDBs.

- *Benchmarking* – MIGA conducted a global benchmarking analysis of both private and public political risk insurers to ensure that its political risk product is at least at par or more favorable to clients.

- *Updated Contracts of Guarantee* – Following the benchmarking exercise, the Agency updated its standard contracts of guarantee to capture updates from the market and to clarify provisions into "plain English." These new "plain English" contracts of guarantee are available on MIGA's website.

- *Other Joint Business Agreements* – MIGA has engaged with several MDBs and in 2019 entered into cooperation agreements with ICIEC, ADB, AfDB, EBRD and IDB Invest. These cooperation agreements are precursors to joint business agreements with each institution covering business development and joint projects. AfDB has already expressed interest in developing a joint pipeline with MIGA under a joint business agreement.

5.3.6 The Agency will continue to serve as the secretariat for the ongoing MDB Guarantee Discussion Platform and technical workshops. It will host also technical workshops among MDBs, either bilaterally or with multiple MDBs. These workshops will:

- deepen MDBs' understanding of each other's products.
- identify countries and/or sectors that are underfunded by the private sector and identify projects upstream where MDBs can collaborate to help make projects bankable.
- further analyze how due diligence may be streamlined.
- develop more staff incentives to encourage collaboration among MDBs.

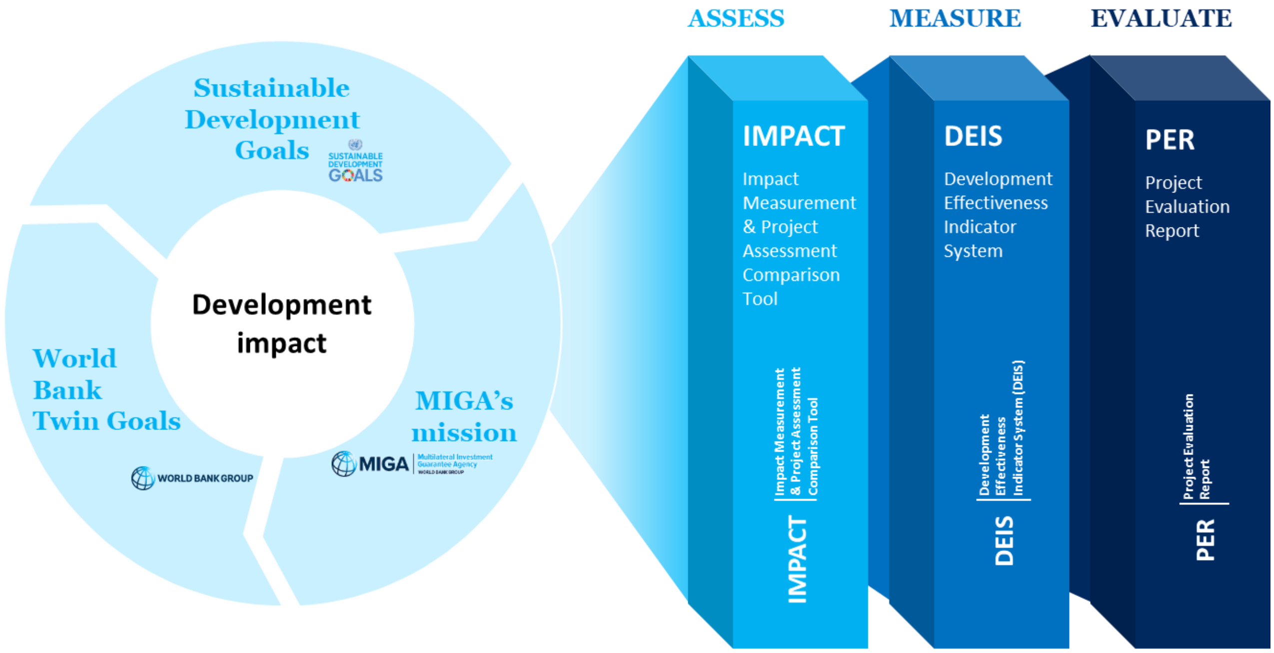
5.3.7 The Agency will also look to expand its partnerships and deepen its collaboration with Export Credit Agencies. For example, ECAs of investor countries typically do not provide guarantees on the local content portion of a project's costs; this missing tranche of cover can be the difference between a project reaching financial close or not. MIGA has no such restrictions and is therefore able to partner with and be truly additional to ECAs in this scenario.

6. MEASURING DELIVERY AND ASSESSING DEVELOPMENT IMPACT

6.1 MIGA'S APPROACH TO MEASURING IMPACT

6.1.1 MIGA's development impact assessment system is built around three pillars: ex-ante project assessments, annual development indicators, and ex-post evaluations. Ex-ante, MIGA uses its recently launched Impact Measurement and Project Assessment Comparison Tool (IMPACT) to provide qualitative and quantitative metrics on the expected development impact of each project from the earliest review stage. MIGA Management use this tool as a critical input in project prioritization and selection. IMPACT was launched in full in FY20 and will continue to be used and refined during FY21-23.

Figure 16: MIGA's Development Results Measurement System



6.1.2 During monitoring, MIGA collects actual development output indicators for all projects. These are used to provide the portfolio-wide development output metrics used in the WBG Scorecard, MIGA reports to the Board and for internal analysis including project evaluations. Finally, MIGA undertakes a project evaluation report (PER) on every project three to five years after the project is operational. Each such evaluation is then validated by IEG, and the results and lessons presented to MIGA and IEG staff through dedicated learning seminars – a process which IEG have noted is best practice across the WBG. MIGA's improving project outcome ratings from PERs are shown in Figure 4 in Section 3.1.

6.1.3 IEG will continue to undertake macro and meso evaluations of topics that are relevant to MIGA, and produce an annual Results And Performance report of the WBG's operations, including an overall evaluation of MIGA's work.[43] Over FY21-23 the Agency will work to better align all three pillars to enhance synergies and consistency across the system.

6.2 MIGA'S FY21-23 SCORECARD

6.2.1 MIGA's Scorecard for FY21-23 is presented in Annex 1. It provides a range of measures which balance MIGA's twin mandates; to achieve development impact as well as to remain financially sustainable. The Agency has settled on relatively few metrics, given MIGA's small size relative to its sister WBG institutions, its limited product range and to retain focus.[44]

6.2.2 The Scorecard cascades from the WBG Scorecard and is aligned with the metrics of the WB and IFC. Detailed definitions of metrics will be published along with the presentation of the Scorecard as part of a wider WBG Scorecard discussion - which traditionally takes place around the time of the Spring and Annual Meetings of the WBG and IMF. MIGA will also include the Scorecard data in the Q4 EVP report of each fiscal year FY21-23.

6.2.3 The Scorecard should be viewed as only one tool for measuring MIGA's performance, along with a wide range of other reports which MIGA provides to the Board and Committees (see Annex 2). The Scorecard should not be viewed in isolation of these broader reports which will provide other important metrics on a range of topics.

[43] This comprehensive system of impact evaluation through the project cycle, has allowed MIGA to sign on to the Operating Principles for Impact Management in February 2020. https://www.impactprinciples.org

[44] MIGA has chosen to use annual averages for FY21-23 rather than annual figures and a range in many instances rather than a specific number. Both these approaches respond to MIGA's relatively small size, lower transaction number/issuance and therefore greater annual variance than the WB and IFC.

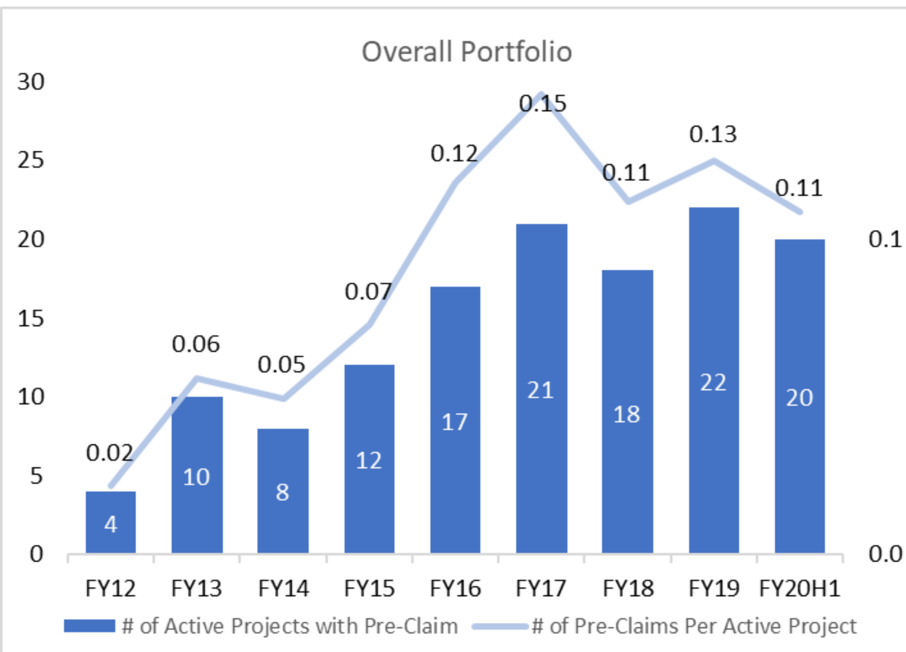
7. FINANCIAL SUSTAINABILITY AND CAPITAL ADEQUACY

7.1 MIGA's Convention mandates that the Agency shall carry out its activities in accordance with sound business and prudent financial management practices. The Agency's activities are supported by a strong capital base and a broad set of risk management frameworks. In the context of its statutory underwriting capacity, and as discussed previously, the Agency has thus far been able to support significant amounts of gross exposure and to contain risk mainly through the use of reinsurance, which manages net guarantee exposure and the related capital utilization.

7.1 PORTFOLIO IMPLICATIONS, CAPITAL SUFFICIENCY AND STRESS TESTING

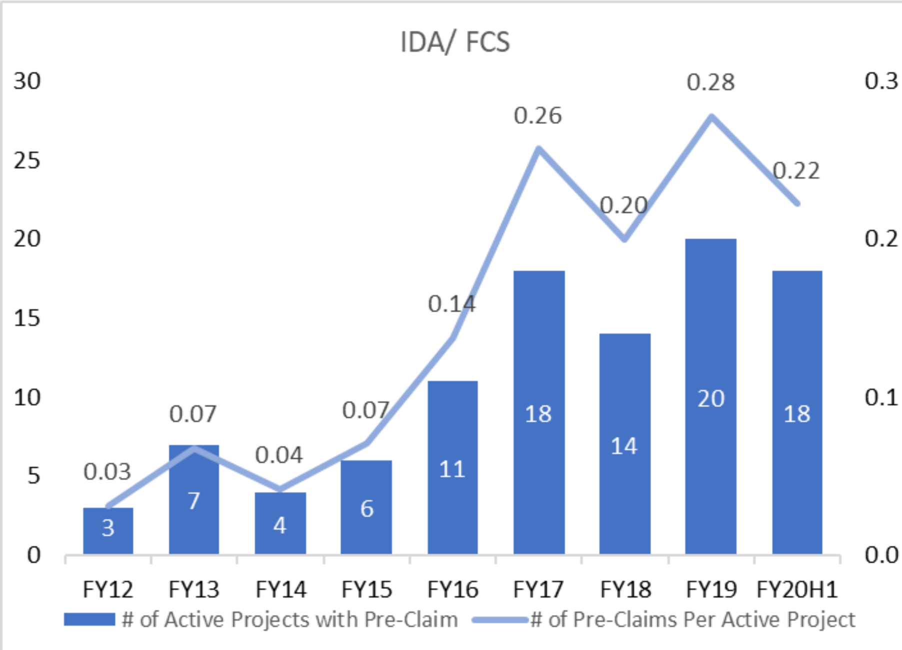
7.1.1 MIGA's FY21-23 SBO targets 10-20 percent increase in new guarantee issuance during FY21-23 over FY17-19 levels and plans to increase the average annual proportion of guarantees in (higher risk) IDA and FCS countries. Figure 17 shows MIGA's increasing risk tolerance as evidenced by a rising pre-claims ratio. Figure 18 depicts the fact that the pre-claims ratio is significantly higher in IDA/FCS countries. MIGA's financial position can support this program under normal market conditions, assuming a continued path of product mix and a broadly diversified portfolio. Under the scenario as outlined in this SBO, MIGA's Economic Capital/Operative Capital (EC/OC) ratio would increase to 54.0 percent at end-FY23 from 46.5 percent at end FY19.[45] However, if reinsurance capacity becomes limited or unavailable entirely, or if large unexpected claims payouts were to occur, capital utilization could sharply increase.

Figure 17: MIGA's Growing Pre-Claims Activity - Overall



[45] EC/OC is the current capital adequacy metric. MIGA has developed an interim Risk Appetite Statement (RAS) and strengthened its stress testing approach. The capital adequacy assessment will in future focus on a new RAS metric, the Risk Capital (defined as Total EC plus Buffer Capital) to Operating Capital ratio, where the Buffer Capital will be computed in a new bespoke stress testing tool.

Figure 18: MIGA's Growing Pre-Claims Activity - IDA/FCS



7.1.2 Table 1 provides projected financial data and key ratios. Assumptions are: (i) total annual new issuance in the range of US$5.5-6.0 billion in FY21-23; (ii) new business reinsurance levels at 60 percent; (iii) average premium rates of 1.03 percent for PRI business and 1.35 percent for NHSFO; and (iv) runoff: portfolio cancellations at 7 percent based on long-term averages; scheduled repayments estimated at 6 percent; expiries at 3 percent of portfolio gross exposure, resulting in total annual runoff at 16 percent of portfolio gross exposure. The net portfolio riskiness ratio, as measured by guarantee portfolio economic capital to net exposure ratio (Guarantee Portfolio EC/NE) for new business is projected to average 8.8 percent over the FY21-23 period. Again, this analysis is based on normal market conditions (un-stressed) and was undertaken before the onset of the COVID-19 pandemic and associated economic disruption.

Table 1: Projected Financial Data and Key Ratio (US$ millions) FY21-23

	FY19	**FY20**	**FY21**	**FY22**	**FY23**
	Act.	**Est.**	**Fcst.**	**Fcst.**	**Fcst.**
Gross New Issues	5,548	2,000	5,750	5,750	5,750
Ending Gross Exposure	23,327	20,898	22,909	24,995	26,922
Ending Net Exposure	8,2954	8,506	9,148	10,050	10,895
Gross Premium	237.9	240.8	253.9	260.1	281.0
Net Premium Income	115.1	118.7	123.4	128.7	140.6
Administrative Expense[1]	57.8	62.4	66.3	69.4	72.7
Key Ratios					
Guarantee Portfolio EC/OC	46.5%	48.3%	49.9%	51.9%	54.0%
Admin Expense/Net Premium Income	50.0%	53.0%	54.0%	54.0%	52.0%

1. Administrative expense in FY21-23 is based on projected nominal administrative budget adjusted for pension cash contribution forecasts to align with accounting basis pension costs.

7.1.3 As background to the development of the FY21-23 SBO, the Agency undertook a rigorous stress test of the existing portfolio. This stress test has used multiple scenarios of potential claims events and/or reinsurance defaults. The results of these stress tests[46] were that MIGA remains well capitalized, to a AAA standard, for all scenarios within a 99.97 percent likelihood over 3 years. Scenarios were also tested for MIGA's capital sufficiency based on the multiple combinations of the following parameters:

- Overall gross issuance growth
- The mix between NH and PRI
- The percentage of new business (both Non-Honoring and Political Risk Insurance) in high risk environments (predominantly IDA/FCS)
- Claims paid

7.1.4 Under an extreme scenario where two of MIGA's largest equity contracts file a claim, MIGA's EC/OC ratio would reach at 77 percent in FY23. Indeed, the global economic outlook continues to face challenges in the medium term; of particular interest to MIGA are: (i) the effects on the world economy of the Coronavirus, (ii) oil shocks (iii) civil unrest, (iv) high debt levels, and (v) impacts from natural catastrophe events. These challenges could translate to stress for MIGA at least in the short-term, especially in those countries where MIGA has high levels of exposure, such as Turkey and Argentina. While there has been increased stability in some areas, the risk of downturn is far-reaching in its potential impact to both developed EMDEs.

7.1.5 The Coronavirus has increased the volatility in financial and commodity markets, raising the risk of debt crises in EMDEs including LICs. In particular, commodity shocks could introduce stress to oil producing and commodity exporting countries where MIGA has exposure, such as Oman. Growth forecasts are being revised downward, as the Coronavirus outbreak, initially contained to China, is quickly escalating into a stress event, exacerbated by the simultaneous collapse of discussions between OPEC and Russia, and the subsequent fall in oil prices. The ongoing deceleration of growth has broad implications across EMDEs, and export-oriented countries are feeling the effects of suppressed commodity prices. Therefore, the Agency will undertake a further stress test in the second half of FY20 to analyze the potential impact of the Coronavirus outbreak and associated economic disruption on MIGA's portfolio.

7.1.6 An important addendum to this analysis is the capital implications of any new product application innovations, some of which are discussed earlier. New product applications would necessarily come with their own probability of loss, loss given default and use of capital. Before delivering any new product application, the Agency will undertake a comprehensive analysis of how the new product application, in combination with existing products and applications, affects capital adequacy including under stress scenarios and share this with the Board.

7.2 INCOME IMPLICATIONS AND TRAJECTORY (PREMIUM INCOME AND INVESTMENT INCOME)

[46] These stress tests were undertaken before the onset of the COVID-19 outbreak.

7.2.1 Net premium income over the Strategy period is expected to increase in line with the growth in the average portfolio net exposure over FY21-23. In FY23, net premium income is projected to be US$140.6 million, a 22 percent increase from FY19 levels. Investment income will also contribute toward total income and the approach to investment management is outlined below.

7.3 INVESTMENT MANAGEMENT

7.3.1 Investment income is an important component of the Agency's net income, accounting for approximately 50 percent of net results in FY19 and providing a substantive contribution to the growth of MIGA's capital base. MIGA's investment portfolio has produced an average total return of 1.8 percent over FY11-19, generally meeting or exceeding benchmarks for the chosen asset allocation. The portfolio's performance over this period includes the implementation of the Long-term Investment Portfolio (LTIP) between FY11-15. LTIP consisted of allocations to U.S. Government Bonds with 5 to 10-year maturities and also to global equities. In recent years, investment portfolio returns have been tracking lower driven by the generally lower interest rate environment that has prevailed since the onset of the global financial crisis. Over the FY11-19 period, MIGA's short-term liquidity holdings have earned a 0.6 percent annualized return.

7.3.2 MIGA's asset holding allocations have remained steady over the last three years with just under 60 percent invested in short-term liquidity (deposits, repos and non-U.S. government and agency bonds), 27 percent in short-term U.S. Treasuries and 14 percent in Agency Mortgage Backed Securities – AAA rated U.S. government guaranteed instruments. Given that MIGA's portfolios are passively managed, where the investment holdings track index benchmarks, to the extent the market performs well or suffers decline, MIGA has the same experience as the market benchmark.

7.3.2 Over the last two years, MIGA has been examining options to enhance returns on its investment portfolio. Contact with the largest institutional asset management firms has provided MIGA with insights into opportunities to improve returns while marginally increasing risk. MIGA is in the process of concluding this analysis and is considering adjusting the asset allocation to improve returns while further diversifying its portfolio.

7.4 APPROACH TO PRICING

7.4.1 Premium income is the main driver of MIGA's revenues and retained earnings. Given the objective in MIGA's Convention to be financially sustainable, the approach to pricing is to recover both administrative and risk costs. Pricing to risk also allows MIGA to access the private and public reinsurance markets, which maximizes the leverage of MIGA's capital and helps encourage reinsurers into emerging markets.

7.4.2 The premium rate for each contract of guarantee includes components for recovery of administrative expenses, expected loss, and a capital charge component that reflects the contract's contribution to the risk of the portfolio. The premium rate calculated in MIGA's risk-based pricing model is a key input to the pricing decision, supplemented with market data and other benchmarks where available, to ensure development impact and additionality, and that the price clears the reinsurance market. The final rates for guarantee contracts are approved by MIGA's Project Review Committee.

7.4.3 The premium components for risk are based on internal country risk assessments for each of the PRI covers and for NHSFO. Ratings for state-owned enterprises (SOEs) are prepared at the obligor level by a unit with SOE credit analysis expertise. Ratings represent a forward-looking estimate of risk in the medium term and feed into the risk-based pricing model to determine the premium components for risk, effective for the duration of the contract. Through an integrated risk modeling framework, similar assumptions and parameters are used for pricing as for capital adequacy assessment and portfolio reserving for potential claims losses.

7.4.4 The pricing model and its parameters are reviewed on a regular basis to reflect MIGA's evolving experience and developments in the markets where MIGA is active. MIGA’s risk model is based on Monte-Carlo simulations and capable of handling complex loss structures typical of insurance contracts. It has been in effect since FY17. In FY19, MIGA completed a comprehensive review of the underlying risk parameters, focusing on claims probability for PRI and NH covers. Per MIGA’s Guidelines for periodic review of risk models, these were due for review. The review resulted in slight downward adjustments in claims probabilities, when recent benign trends in the underlying data sets of peer PRI claims as well as sovereign and corporate defaults were added to the long-term average calculations. Slight decreases in the pricing model’s risk premiums also resulted. No change to MIGA’s approach to pricing is foreseen over FY21-23.

7.5 REINSURANCE

7.5.1 Since 1997, MIGA has successfully used reinsurance to grow its investment guarantee capacity, manage the risk profile of its portfolio and foster the growth of the private PRI market. Significant benefits have accrued both to MIGA's investors, who have gained access to larger levels of coverage for projects in developing countries, and to the host countries that have benefited from much higher levels of productive cross-border investment.

7.5.2 To support the Agency’s growth, MIGA has continued to prudently augment its reinsurance programs, by enhancing their capacity to absorb high insurance exposures for longer tenors and improving the counterparty credit framework through the following:

- Seeking new private sector reinsurance partners. MIGA’s reinsurance panel grew from five to 40 plus reinsurers over the last 20 years. All reinsurers meet MIGA’s counterparty credit standards.
- Encouraging its private sector reinsurance partners to accept longer tenor projects in challenging markets: whereas up to FY15 private reinsurers would generally not accept tenors beyond 15 years on a facultative basis, MIGA currently has five private sector reinsurers that will offer 20-year facultative capacity.
- To prudently manage its reinsurance counterparty credit exposure, MIGA created a more granular approach to reinsurer counterparty credit analysis and management during FY20. This framework complements the Board-approved counterparty credit framework for reinsurers.

7.5.3 To support MIGA’s enhanced reinsurance strategy for prudent capital management and management of concentration risk, on August 30, 2016, the Board of Directors approved an increase in the portfolio reinsurance limit to 70 percent. As a result, MIGA’s reinsurance capacity has risen from US$7.5 billion at end FY16 to US$14.9 billion at end FY19. This increase in MIGA’s guarantee capacity allows MIGA to respond effectively to increasing client demand while preserving the Agency’s financial sustainability in the context of its growth strategy.[47] Going forward over FY21-23 the Agency will continue its active use of reinsurance both to manage its own risk and capital, and as a means of catalyzing private finance into emerging markets to fulfill its mandate. Prudent risk management by MIGA is crucial for the Agency's continued access to the reinsurance market which is so instrumental to the business model.

[47] MIGA cedes risks to its reinsurers under both treaty and facultative reinsurance. Under treaty reinsurance, the ceding company and the reinsurer conclude an agreement, usually for periods of one year or longer, which stipulates the conditions under which the ceding company has agreed to cede, and the reinsurer has agreed to provide reinsurance for a portion of the ceding company's insurance liabilities, premiums and losses. Facultative reinsurance is concluded on an individual risk basis. While a relationship may exist between the ceding company and the reinsurer, there is no obligation on the part of the ceding company to cede a particular risk and no obligation on the part of the reinsurer to accept a risk when it is offered by the ceding company.

8. ADMINISTRATIVE AND CAPITAL BUDGET TRAJECTORY

8.1 ADMINISTRATIVE BUDGET TRAJECTORY FY21-23

8.1.1 MIGA has become increasingly cost efficient over the last six years as reflected in the decline of its Administrative Expenses-to-Net Premium Income ratio (Figure 10). This improvement reflects the combined effect of rising net premium income from a growing portfolio and contained growth in administrative expenses. Management believes that cost efficiencies, which have largely been achieved through office space compression and WBG-wide efficiency measures, have since plateaued. Going forward, additional output will require additional budgetary resources attributable to both internal and external pressures, with a projected uptick in the Administrative Expenses-to-Net Premium Income ratio in the medium-term.

8.1.2 Internally, the move to grow the gross annual issuance from an average of US$5.0 billion in FY17-19 to an annual average of $5.5-$6.0 billion over FY21-23 (while also relying less on a small number of very large projects) will require additional resources. Further, the planned expansion of the annual program in IDA/FCS generates two challenges with budget implications. First, projects in IDA/FCS are typically far smaller than the average. Over the FY17-19 period, the average project size in IDA/FCS was US$99 million as against US$161 million for all projects and this results in more projects supported overall. Second, projects in IDA/FCS take longer and are more expensive to underwrite and supervise than the average because they are located in more challenging environments, are typically more complex, and sponsors and lenders are often less experienced. Finally, as discussed previously, projects in IDA/FCS are more likely to enter into a 'pre-claims' situation and require MIGA staff time and attention.

8.1.3 Externally there are medium-term cost pressures from developments such as the transition from LIBOR and ERP system replacement. Further, as MIGA grows in stature as an MDB the costs of deeper engagement with WBG senior management, the Board of Directors and external stakeholders are expected to increase.

8.1.4 Initial estimates are that MIGA will require an additional five percent real administrative budget over the FY21-23 period, with the five percent growth distributed across FY22 and FY23. Additional resources are required primarily for new staff positions (including associated office space), and contractual services to undertake full due diligence on new market opportunities and new product application opportunities. Table 1 in Section 7.1 provides a summary of MIGA's administrative budget estimates for FY21-23. A detailed budget analysis of the resource implications of the above developments, including a cost of doing business analysis, will be provided in MIGA's FY21 Budget Request Paper.

8.2 CAPITAL BUDGET TRAJECTORY FY21-23

8.2.1 MIGA's capital budget is largely geared towards funding Information Technology (IT) needs as well as Office facilities. For WBG-wide initiatives such as the transition from LIBOR and ERP system replacement, MIGA typically does not contribute towards capital funding but instead contributes via Depreciation.

8.2.2 For internal IT needs, MIGA follows a three-year capital budget cycle, with the last request totaling US$2 million having been through the FY20 Budget Request Paper for the FY20-22 period. Another US$0.5 million was approved in FY20 for potential configuration of MIGA office space in HQ and the Hubs.

8.2.3 Against this backdrop, MIGA estimates that a Capital Budget of US$2.5 million will be required for the next phase of MIGA Systems Upgrade and Migration during FY23-24.

ANNEX 1: FY21-23 SCORECARD

MIGA Scorecard: FY21-23	**FY17-19 (Annual Average)**	**FY20H1**	**FY21-23 Target (Annual Average)**	**2030 Ambition**
Development Impact				
Ex Ante: Average ex ante IMPACT score	-	54	>50	
Gross guarantees issued per FY: US$B	5.2	1.03	5.5-6.0	
IDA-17[1] + FCS[2] as proportion of issuance: %	25%	61%	30%-33%	40%
Climate as proportion of issuance: %	16%	50%	29%-32%[3]	35%
Financial Sustainability and Efficiency				
Budget Coverage Ratio: Admin. Expenses/ Net Premium Income	52%	48%	<60%	
Economic Capital/ Operating Capital	45%	45%	<70%	
ESM to Contract Signing: Median days	237	338	250-300	
Managing Talent and Diversity				
Employee engagement: %	78%		70-80%	
Managerial effectiveness[4]: %	70%		70-80%[3]	
Staff diversity & inclusion index[5]: %	63%		65-75%	

Notes:
1. IDA-17: Countries eligible for IDA financing as of July1, 2016, including Blend and Gap countries.
2. FCS: Countries on the applicable World Bank's Harmonized List of FCS for that year plus countries that have been on the Harmonized List within any of the past three years.
3. MIGA is committed to meeting the WBG Target of at least 35% climate finance on average over FY21-25. Therefore, climate finance as a proportion of issuance may need to be significantly higher than 35% in FY24 and FY25 depending on outcomes in FY21-23.
4. FY17-18 data.
5. Within this, GF+ Sub-Saharan Africa and Caribbean and GF+ Technical Women and Women Managers will be reported separately.

ANNEX 2: MIGA-SPECIFIC REPORTS TO MIGA BOARD AND COMMITTEES

To MIGA Board of Executive Directors	*Periodicity*
Strategy and Business Outlook (and Updates)	Every three years (and annually as needed)
Management's Discussion & Analysis and Financial Statements	Annual
Budget Paper	Annual
To MIGA Audit Committee	
Review of Guarantee Portfolio, Risk Management, Capital Adequacy and Limits	Bi-annual
MIGA Condensed Quarterly Financial Statements	Quarterly
Portfolio Review Paper	Annual
To MIGA Budget Committee	
Executive Vice President Quarterly Report	Quarterly (except Q1)
Budget Paper	Annual
Fiscal Year Budget Proposals	Annually
To MIGA Human Resources Committee	As needed
To MIGA Committee on Development Effectiveness (CODE)	
IEG Results and Performance Report	Annual
IEG Macro, Meso and other thematic evaluations	As needed
To MIGA Committee on Governance and Administrative Matters (COGAM)	As needed

ANNEX 3: COUNTRY CLASSIFICATION: CATEGORY TWO[48]

Country	FY20 WBG Income Classification	IDA17[49]	FY20 FCS[50]	PSW Eligible	Small State[51]
Afghanistan	Low income	IDA17	FCS	PSW Eligible	
Albania	Upper middle income				
Algeria	Upper middle income				
Angola	Lower middle income				
Antigua and Barbuda	High Income				Small State
Argentina	Upper middle income				
Armenia	Upper middle income				
Azerbaijan	Upper middle income				
Bahamas	High income				Small State
Bahrain	High income				Small State
Bangladesh	Lower middle income	IDA17		PSW Eligible	
Barbados	High income				Small State
Belarus	Upper middle income				
Belize	Upper middle income				Small State
Benin	Low income	IDA17		PSW Eligible	
Bhutan	Lower middle income	IDA17			Small State
Bolivia	Lower middle income	IDA17			
Bosnia and Herzegovina	Upper middle income	IDA17			
Botswana	Upper middle income				Small State
Brazil	Upper middle income				
Bulgaria	Upper middle income				
Burkina Faso	Low income	IDA17	FCS	PSW Eligible	
Burundi	Low income	IDA17	FCS	PSW Eligible	
Cambodia	Lower middle income	IDA17		PSW Eligible	
Cameroon	Lower middle income	IDA17	FCS	PSW Eligible	
Cape Verde	Lower middle income	IDA17			Small State
Central African Republic	Low income	IDA17	FCS	PSW Eligible	
Chad	Low income	IDA17	FCS	PSW Eligible	
Chile	High Income				
China	Upper middle income				
Colombia	Upper middle income				
Comoros	Lower middle income	IDA17	FCS	PSW Eligible	Small State
Costa Rica	Upper middle income				
Côte d'Ivoire	Lower middle income	IDA17		PSW Eligible	
Croatia	High Income				

[48] Countries listed under Category Two are developing member countries for the purpose of the MIGA Convention.
[49] IDA 17: countries eligible for IDA financing as of July 1, 2016, including Blend and Gap countries.
[50] FCS: countries on the latest (FY20) WBG Harmonized Fragile and Conflict-affected Situations (FCS) list.
[51] www.worldbank.org/en/country/smallstates

Cyprus	High income				Small State
Democratic Rep. of Congo	Low income	IDA17	FCS	PSW Eligible	
Djibouti	Lower middle income	IDA17		PSW Eligible	Small State
Dominica	Upper middle income	IDA17			Small State
Dominican Republic	Upper middle income				
Ecuador	Upper middle income				
Egypt	Lower middle income				
El Salvador	Lower middle income				
Equatorial Guinea	Upper middle income				Small State
Eritrea	Low income	IDA17	FCS		
Estonia	High income				Small State
Eswatini	Lower middle income				Small State
Ethiopia	Low income	IDA17		PSW Eligible	
Fiji	Upper middle income				Small State
Gabon	Upper middle income				Small State
Gambia	Low income	IDA17	FCS	PSW Eligible	Small State
Georgia	Upper middle income				
Ghana	Lower middle income	IDA17			
Grenada	Upper middle income	IDA17			Small State
Guatemala	Upper middle income				
Guinea	Low income	IDA17		PSW Eligible	
Guinea-Bissau	Low income	IDA17	FCS	PSW Eligible	Small State
Guyana	Upper middle income	IDA17			Small State
Haiti	Low income	IDA17	FCS	PSW Eligible	
Honduras	Lower middle income	IDA17			
Hungary	High income				
India	Lower middle income				
Indonesia	Lower middle income				
Iran	Upper middle income				
Iraq	Upper middle income		FCS		
Israel	High income				
Jamaica	Upper middle income				Small State
Jordan	Upper middle income				
Kazakhstan	Upper middle income				
Kenya	Lower middle income	IDA17		PSW Eligible	
Kosovo	Upper middle income	IDA17	FCS	PSW Eligible	
Kuwait	High income				
Kyrgyz Republic	Lower middle income	IDA17		PSW Eligible	
Lao PDR	Lower middle income	IDA17			
Latvia	High income				
Lebanon	Upper middle income		FCS		
Lesotho	Lower middle income	IDA17			Small State
Liberia	Low income	IDA17	FCS	PSW Eligible	

Libya	Upper middle income		FCS		
Lithuania	High income				
Madagascar	Low income	IDA17		PSW Eligible	
Malawi	Low income	IDA17		PSW Eligible	
Malaysia	Upper middle income				
Maldives	Upper middle income	IDA17		PSW Eligible	Small State
Mali	Low income	IDA17	FCS	PSW Eligible	
Malta	High income				Small State
Mauritania	Lower middle income	IDA17		PSW Eligible	
Mauritius	Upper middle income				Small State
Mexico	Upper middle income				
Micronesia	Lower middle income	IDA17	FCS	PSW Eligible	Small State
Moldova	Lower middle income	IDA17			
Mongolia	Lower middle income	IDA17			
Montenegro	Upper middle income				Small State
Morocco	Lower middle income				
Mozambique	Low income	IDA17		PSW Eligible	
Myanmar	Lower middle income	IDA17	FCS	PSW Eligible	
Namibia	Upper middle income				Small State
Nepal	Low income	IDA17		PSW Eligible	
Nicaragua	Lower middle income	IDA17			
Niger	Low income	IDA17	FCS	PSW Eligible	
Nigeria	Lower middle income	IDA17	FCS	PSW Eligible	
Oman	High income				
Pakistan	Lower middle income	IDA17		PSW Eligible	
Palau	High Income				Small State
Panama	High Income				
Papua New Guinea	Lower middle income	IDA17	FCS	PSW Eligible	
Paraguay	Upper middle income				
Peru	Upper middle income				
Philippines	Lower middle income				
Poland	High income				
Qatar	High Income				Small State
Rep. of Congo	Lower middle income	IDA17	FCS	PSW Eligible	
Republic of Korea	High income				
Republic of N. Macedonia	Upper middle income				
Romania	Upper middle income				
Russian Federation	Upper middle income				
Rwanda	Low income	IDA17		PSW Eligible	
Samoa	Upper middle income	IDA17		PSW Eligible	Small State
São Tomé and Principe	Lower middle income	IDA17		PSW Eligible	Small State
Saudi Arabia	High income				

Senegal	Lower middle income	IDA17		PSW Eligible	
Serbia	Upper middle income				
Seychelles	High income				Small State
Sierra Leone	Low income	IDA17		PSW Eligible	
Singapore	High income				
Slovak Republic	High income				
Solomon Islands	Lower middle income	IDA17	FCS	PSW Eligible	Small State
Somalia	Low income	IDA17	FCS	PSW Eligible	
South Africa	Upper middle income				
South Sudan	Low income	IDA17	FCS	PSW Eligible	
Sri Lanka	Upper middle income	IDA17			
St. Kitts &Nevis	High Income				Small State
St. Lucia	Upper middle income	IDA17			Small State
St. Vincent and the Grenadines	Upper middle income	IDA17			Small State
Sudan	Lower middle income	IDA17	FCS		
Suriname	Upper middle income				Small State
Syrian Arab Republic	Low income	IDA17	FCS		
Tajikistan	Low income	IDA17		PSW Eligible	
Tanzania	Low income	IDA17		PSW Eligible	
Thailand	Upper middle income				
Timor Leste	Lower middle income	IDA17	FCS	PSW Eligible	Small State
Togo	Low income	IDA17		PSW Eligible	
Trinidad and Tobago	High Income				Small State
Tunisia	Lower middle income				
Turkey	Upper middle income				
Turkmenistan	Upper middle income				
Uganda	Low income	IDA17		PSW Eligible	
Ukraine	Lower middle income				
United Arab Emirates	High income				
Uruguay	High Income				
Uzbekistan	Lower middle income	IDA17			
Vanuatu	Lower middle income	IDA17		PSW Eligible	Small State
Venezuela	Upper middle income		FCS		
Vietnam	Lower middle income	IDA17			
West Bank and Gaza[52]	Lower middle income		FCS		
Yemen	Low income	IDA17	FCS	PSW Eligible	
Zambia	Lower middle income	IDA17			
Zimbabwe	Lower middle income	IDA17	FCS		

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