



BY
ZINGA VENNER
MANAGER,
CORPORATE REPORTING AND ANALYSIS



BY
GIORGIO SAAVEDRA
INTEGRATED REPORTING LEAD,
CORPORATE REPORTING AND ANALYSIS

Integrated Reporting as a catalyst for long-term financial sustainability

What will it take to end poverty and boost shared prosperity? How does Integrated Reporting fit into this picture? Bridging the financing gap - how can <IR> help?

WHAT WILL IT TAKE TO END POVERTY AND BOOST SHARED PROSPERITY?

In 2013 the World Bank Group (WBG) embraced a new strategy that envisages all of its institutions¹ working together as one WBG to provide a package of customized solutions for our clients, working with all of our partners to mobilize private investment and develop effective public institutions, and ensuring that development progress is environmentally, socially and economically sustainable. The expected outcome? – That the percentage of people living on less than \$1.25 a day declines to 3% by 2030, and that there is income growth for the bottom 40 percent of the population in developing countries.

HOW DOES INTEGRATED REPORTING FIT INTO THIS PICTURE?

Effective implementation of the WBG strategy requires having a holistic view of the strategy, governance, performance of the institution against the strategy, and the risks to achieving the strategy. This

is facilitated by ensuring consistent and effective communication of these various factors throughout all levels of the organization, in an effort to promote buy-in, alignment of all activities with the strategy, and accountability.

The pillars of the Integrated Reporting (<IR>) framework resonate very well with what the WBG is aiming to achieve internally through the implementation of the new strategy – Integrated Thinking and Integrated Management. However we also see significant benefits in our role as a development institution of promoting the widespread adoption of <IR> by our partners and clients.

The WBG is in the early stage of implementation of the <IR> framework as promulgated by the International Integrated Reporting Council (IIRC), with the initial focus being on two of the institutions; the IBRD and IDA. What have we learnt so far? – the importance of socializing the concept of <IR> from the perspective of how it could help to facilitate integrated thinking, the importance of senior management support for the initiative, that information asymmetry is extensive and if not dealt with effectively, could hinder our ability to achieve our strategy. A key challenge in implementing the framework is dealing with the perception that this is just another reporting exercise.

The concept of Integrated Thinking and Management is not new, yet organizations are still plagued with the effects of information asymmetry, siloed thinking, and other factors that detract from their ability to create lasting value; the WBG is no exception. The <IR> framework provides a holistic approach to addressing these issues effectively while at the same time promoting clear and concise articulation of our value creation story, focusing not only on financial information, but also non-financial information. It is also enabling us to demonstrate, measure and monitor how we create value through our various activities,

A new strategy for WBG



Le reporting intégré : une révolution en marche ?

and alignment with our strategy. What is the WBG's value creation story?

The WBG, through the strong social and financial support of its members and development partners, and the intellectual capital of its employees, provides customized financial solutions to its clients in the public and private sectors. These services are primarily in the form of non-concessional and concessional lending, finance and advisory services, political risk insurance, disaster risk insurance as well as asset management. Revenue generated from these services is primarily reinvested to further build reserves and leveraged to increase the WBG's capacity to expand its lending programs. The operations of the WBG are conducted in an environmentally and socially responsible manner. In addition, all WBG projects are subject to environmental and social safeguard policies which serve as a cornerstone of its support to sustainable poverty reduction. Through the effective utilization of its various resources, strong governance and risk management, we believe that the twin goals, while immensely challenging, are achievable.

Notwithstanding having an asset size of approximately \$628 billion as of June 30, 2014, and providing approximately \$66 billion of commitments for loans, grants, equity investments and guarantees to its members and private businesses, the WBG cannot achieve its twin goals on its own. For example, development countries will need to invest an estimated \$1 trillion per year through 2020 to overcome the lack of adequate infrastructure. Official development assistance through institutions like the WBG and other public sector oriented bilateral arrangements are not sufficient. Additional resources will need to be crowded-in from the private sector.

BRIDGING THE FINANCING GAP - HOW CAN <IR> HELP?

We believe that better information can help to improve governance, accountability, and rebuild trust in a post-crisis global economy where raising capital and promoting sustainable growth are essential. In addition, as a result of information asymmetry, private investors' perception of risk in developing countries tends to be overstated, thereby limiting the appetite to invest.

<IR> can play a positive role in facilitating improved governance, transparency and accountability in the public and private sectors of developing countries, and facilitate the crowding in of resources. By enabling and encouraging public and private sector organizations in these countries to be more transparent to stakeholders about risks, and how these risks are being managed, <IR> could reduce information asymmetry and enable investors to make more effective investment decisions.

The WBG can play an important role in shaping the corporate reporting landscape by promoting the use of <IR>. Times have changed, and reporting must also change to remain relevant. For example, current corporate reporting does not effectively address all of the

How the WBG Creates Value



value drivers of corporate performance. Research indicates that the net assets of S&P 500 companies accounted for only 19% of their market capitalization in 2009 compared to 90% in the 1970s². Change will however not happen "overnight", as it requires a shift in behavior and culture through integrated management and thinking. The WBG, through its convening power and influence on global agendas, such as its role in the Financial Stability Board, is creating opportunities to increase awareness of <IR> and the benefits it brings. Recently, at its Annual Meetings in October 2014, the WBG hosted a panel discussion, with Mr. Mark Carney (Governor of the Bank of England) featured as a key note guest speaker. The discussion highlighted the benefits of <IR> and the role it could play in improving transparency and financial sustainability.

According to Bertrand Badré, the Managing Director and World Bank Group Chief Financial Officer: "I believe that <IR> can serve as a catalyst for long-term financial sustainability. It is the key to promoting public and private sector accountability and building trust with civil society, through increased transparency on how financial and non-financial resources are used, thereby enabling efficient resource allocation. I have learnt from my experience as CFO in different organizations, that effective corporate reporting is critical, particularly in uncertain times. <IR> can be a great tool for this purpose." ●

World Population Living in Extreme Poverty



1. The WBG comprises the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC); the Multilateral Investment Guarantee Agency (MIGA); and the International Centre for Settlement of Investment Disputes (ICSID).

2. International Integrated Reporting Council (IIRC) paper: "Creating Value: Value to the Board"