

Memorandum of Understanding

between

The International Financial Reporting Standards Foundation

and

The World Bank

May 12, 2017

MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding (Memorandum) dated May 12, 2017, represents a statement of intent between the World Bank (Bank) and the International Financial Reporting Standards Foundation (IFRS® Foundation) to collaborate in the achievement of common objectives as described and on the basis detailed below.

Rationale for cooperation

- A. The World Bank is a multilateral development institution established by Articles of Agreement adopted by its member countries. Its overarching mission is to reduce poverty, improve living conditions, and promote sustainable and comprehensive development in its developing member countries. This mission is anchored in the twin goals of ending extreme poverty within a generation and boosting shared prosperity. The Bank aims to achieve these goals by providing loans, concessional financing, technical assistance, and knowledge services to its member countries and through partnerships with other organizations.
- B. The IFRS Foundation, through its independent standard-setting body, the International Accounting Standards Board (Board), is committed to developing International Financial Reporting Standards (IFRS Standards) that bring transparency, accountability, and efficiency to financial markets around the world. The Board, together with its interpretative body, the IFRS Interpretations Committee, works to support global adoption and consistent application of International Financial Reporting Standards (IFRS® Standards), including the IFRS for SMEs® Standard.

The World Bank considers reliable financial information a prerequisite for access to finance, while investor confidence in financial information is critical to foster trust in capital markets and economic prosperity in emerging market and developing economies.

The IFRS Foundation also recognizes the direct relationship between the quality of financial reporting and economic development, and its mission statement sets out an objective to develop “standards that foster trust, growth and long-term financial stability in the global economy.” Moreover, the IFRS Foundation believes that IFRS Standards should be applied on a globally consistent basis, including by emerging market and developing economies.

The World Bank has been a long-term supporter of work to develop a single set of high-quality global accounting standards. In this regard, it has played a leading role in encouraging the development of IFRS Standards and their use around the world.

The IFRS Foundation recognizes the critically important role played by the World Bank in promoting the use of high-quality standards and undertaking programs to build capacity and support the implementation of IFRS Standards.

By deepening their cooperation, both institutions seek to advance their individual and collective public interest objectives. Both institutions consider that their cooperation has contributed to improvements in the quality of financial reporting around the world, particularly among developing economies.

The cooperation has included:

- **Promoting IFRS Standards and the IFRS for SME Standard as international benchmarks.** The World Bank has played a leading role in promoting adoption of IFRS Standards and the IFRS

for SME Standard in emerging market and developing economies. Under a joint initiative with the International Monetary Fund, the World Bank prepares *Reports on the Observance of Standards and Codes (ROSC)* on Accounting and Auditing using IFRS Standards as the benchmark for financial reporting.

- **Capacity building and implementation support.** The IFRS Foundation has supported World Bank regional programs in Africa, East Asia and the Pacific, Europe and Central Asia, Latin America and the Caribbean, Middle East and North Africa, and South Asia to build capacity for applying, teaching, and enforcing IFRS Standards in developing countries. These programs have involved more than 50 jointly hosted conferences and workshops.
- **Development of IFRS Standards.** The World Bank has contributed to the development of IFRS Standards through regular feedback and its representation on the IFRS Advisory Council and specialized committees.

Priorities for Collaboration

Building on this successful cooperation, both institutions have identified key areas of collaboration that are consistent with the World Bank's goals and the IFRS Foundation's mission to develop financial reporting standards for the world economy.

The collaboration between the two institutions will focus on the following areas:

1. Implementation of IFRS Standards and the IFRS for SMEs Standard

- (a) **Encouraging adoption.** The adoption of IFRS Standards and the IFRS for SMEs Standard plays an important role in establishing transparent financial reporting that can facilitate investment supporting sustainable long-term growth. Both institutions will encourage, as appropriate, the use of IFRS Standards as part of structural reforms and other initiatives supported by the World Bank and other development partners.
- (b) **Supporting accessibility.** Both institutions will continue to support, as appropriate, the dissemination of IFRS Standards, the IFRS for SMEs Standard, and relevant training materials in accordance with the intellectual property rights of both organizations, including translations as applicable.
- (c) **Conducting research.** Research activities, including economic research on the use and impact of IFRS Standards, may be undertaken from time to time.

2. Capacity Development for Implementation of IFRS Standards

- (a) **Developing scalable programs.** Building on both institutions' technical expertise and the World Bank's in-country presence and delivery capabilities, jointly developed programs will support the consistent implementation of IFRS Standards in emerging market and developing economies. In addition, from time to time, focused educational activities might be required to help address the specific needs of a country or group of countries. The use of innovative online and mobile-enabled technology is intended to be a core component of the programs, to help facilitate low-cost, scalable access to resources developed by the IFRS Foundation across developing economies.

- (b) **Supporting professional development.** The institutions will support professional accountancy organizations and others in their efforts to deliver continuing professional development for the application of IFRS Standards, including the IFRS for SMEs Standard.
- (c) **Thought leadership.** Recognizing the contribution of financial reporting to economic development, both institutions will work to provide a basis for building financial reporting thought leadership in emerging market and developing economies.
- (d) **Mobilizing resources.** Where appropriate, both institutions will join their efforts in mobilizing funds to support financial reporting reforms and build in-country capacity.

3. Enhancing Engagement in Standards Development

- (a) **Strengthening standard-setting capabilities.** Through various activities, both institutions will seek to promote a deeper involvement of emerging market and developing economies in the development of IFRS Standards. This will include efforts to strengthen accounting standard-setting capabilities in emerging market and developing economies with a view to intensifying the engagement of these countries in the IFRS Foundation's ongoing work.
- (b) **Participating in advisory bodies of the IFRS Foundation.** The World Bank is a member of the IFRS Advisory Council and has participated in the SME Working/Implementation Group. The IFRS Foundation will explore ways to enhance the World Bank's role as a member-based organization that can support the engagement of emerging market and developing economies in the work of other advisory bodies to the Board, such as the Emerging Economies Group.

Communication and Cooperation Process

The institutions will form a coordination group to operationalize the activities described by this Memorandum. This group will meet at least once a year, and will be led by the World Bank's EFI Vice-Presidency. Both institutions will review this Memorandum of Understanding no later than May 2019.