

# THE WORLD BANK IS THE GREATEST “TRADEMARK” IN THE WORLD!

Bertrand Badré shares his analysis of the financial crisis that he had to face from 2007 to 2012, when he was CFO of Crédit Agricole and Société Générale. He tells us about his new position as Managing Director of the World Bank (since March 2013).

## THE WORLD BANK GROUP

The World Bank Group includes five institutions headquartered in Washington, DC:

- The IBRD (International Bank for Reconstruction and Development) was created in 1944 to finance reconstruction after the 2<sup>nd</sup> World War. France was the very first country to borrow from the IBRD, in 1947. Today, the IBRD offers loans to middle-income countries such as China, Brazil and Turkey.
- The IDA (International Development Association) was established in 1969 and issues concessional loans and grants to lower-income countries, mostly in Africa (~50%) and South Asia (~25%).

IBRD and IDA form the World Bank. The World Bank Group also includes:

- The IFC (International Finance Corporation) is the private sector arm of the World Bank Group. It was created in 1956. Its portfolio includes 15 billion dollars of shares invested in companies (banks, manufacturers, airlines...) in developing countries.
- MIGA (Multilateral Investment Guarantee Agency) offers political risk insurance guarantees. It was established in 1988.
- The ICSID (International Centre for Settlement of Investment Disputes) is an international arbitration room. It was created in 1965.

## HEC How did you become Managing Director at the World Bank?

**Bertrand Badré** The World Bank Group is an international body that funds governments and companies. Its organization is similar to a traditional bank but also much more than that given its advisory services, its political role and its so-called convening power. My profile was relevant as I had experiences within international banks as well as public institutions.

I started my career within Inspection Générale des Finances, then I worked eight years as an investment banker for Lazard in London and New York and finally as a partner in Paris. In 2003, I was recruited in the President's office in Paris to work alongside Michel Camdessus<sup>(\*)</sup> and President Chirac to prepare the G8 summit of Evian. At the time, French president Jacques Chirac was visionary enough to invite the Chinese and Indian prime ministers, or the Brazilian president among others to the summit. In reality he anticipated what would later become the “G20”.

Those first thirteen years of my career were very rewarding, but also frustrating. I was on the advisory side and



## Bertrand Badré (H.89)

**1989** Assistant Group Controller for BFI-Ibexsa **1995-**  
**1999** Ministry of Finance, "Inspection Générale des Finances": control, audit and consultancy missions for the French National Audit Office (he was seconded to the World Bank in Togo in 1997) **1999** Assistant Director Lazard in London **2000-2003** Vice President and later Director, Lazard, in New York **2003-2004** President Chirac's deputy personal representative for Africa for the G8, then spokesman for President Chirac's working group on new international financial contributions (the Landau report) **2004-2007** Partner and Managing Director of Lazard in Paris **2007-2011** Group Chief Financial Officer at Crédit Agricole **2011-2013** Group Chief Financial Officer at Société Générale Since March **2013** Managing Director of the World Bank and World Bank Group Chief Financial Officer. Badré has also served as a Director on a number of boards.

I wanted to take action. When Crédit Agricole asked me to become their CFO in 2007, I did not hesitate.

### **HEC When you joined Crédit Agricole, it was precisely the beginning of the subprime crisis...**

**B. B.** Indeed, I took position in August 2007, a few days before it all started! At the end of the month, the first estimates of the cost of the crisis were published: 50 billion dollars... A little more than a year after, at the G20 summit of November 2008, estimates amounted to 5,000 billion dollars – a hundred times more! Meanwhile, the world discovered the Kerviel unit (5 billion euros) and the Madoff unit (50 billion dollars)...

### **HEC What were your responsibilities at the time?**

**B. B.** As Group CFO of Crédit Agricole, I was in charge of making sure the group could navigate safely the worst financial crisis ever – on top of that of course, I was involved in many meetings with government officials and other banks to prepare the response to the crisis. Discussions were held in a rather "pleasant" climate given the circumstances. France's centralized system can be a source of exasperation, but, in times of crisis, it proved useful as authorities could respond quickly. As early as October 2008, France was launching a 420 billion euro plan for financing the economy, ahead of its neighboring countries.

Barely a year after the outbreak of the subprime crisis, the financial industry was starting to feel 'relieved', as if the worst was behind us. I personally did not believe that. I wanted Crédit Agricole to prepare for a crisis that could possibly last for long. With that in mind, with CEO Georges Pauget, we launched a 5.9 billion euro capital increase, which took place in June 2008. Some people did not understand that. As I said in roadshows, 'better do it too early than too late'. It is one of the professional moves I am the most proud of.

Indeed, three months later, US bank Lehman Brothers filed for Chapter 11 bankruptcy. When Pauget asked me what it meant, I just said "I don't know, this is terra incognita". When I worked at Lazard, I was involved in restructuring missions, for instance at Eurotunnel. But amounts were hundreds of millions, sometimes a couple of billion dollars. With Lehman Brothers, total debt reached 600 billion dollars! Memories are still vivid and burning.

Since then we entered a vicious circle. One after the other, financial institutions were hit by negative rumors: UBS, Citigroup, Fortis, Natixis... During Q4 2008, the Executive Committee of Crédit Agricole held a morning meeting every day to decide which banks we would be dealing with, and how. It was very touchy: we had to reduce our risks but at the same time, we could not break relationships just like that.





**HEC Then the financial crisis spread to the real economy.**

**B. B.** That time again, everyone was surprised by the extent of the damage. Remember that in July 2008, ECB president Jean-Claude Trichet announced a rise in interest rates! Six months later, France's car manufacturing lines were frozen; the port of Singapore was stopped. Global economy was in high danger. Fortunately, unlike the 1930s, countries coordinated their action plans. A tiny minority of them resorted to protectionism. And they refrained from letting the banking system go bankrupt.

However, in September 2009, a new chapter of the crisis was open: sovereign debt. Greece's new Prime Minister Papandréou publicly announced that the deficit figures were falsified: instead of 4%, it accounted for 14% or 15% of GDP. Crédit Agricole was severely affected by this news, as it owned the #5 bank in Greece, Emporiki. Our ownership of Greek Sovereign Debt was however limited. Another thing we can be proud of.

**HEC You quit Crédit Agricole mid 2011. Six months later, you were appointed CFO by Société Générale. Was the situation easier to manage?**

**B. B.** Not really. In 2011, US money market funds virtually ceased to refinance French banks. Regarding Société Générale, amounts available were divided by 20: from 60 billion to 3 billion dollars a day. Tension was very high. In August 2011, following a rumor by a British tabloid, the SocGen stock price dropped by 22% in just a few hours.

In December 2011, the new ECB president Mario Draghi launched its Long term Refinancing Operation (LTRO) program and announced in July 2012 that he would "do whatever it takes to save the euro area". That restored some confidence in the financial markets.

**HEC How did you feel during these five years of financial crisis?**

**B. B.** Actually I was very excited. A CFO of a global company, in particular of a bank, feels responsible for thousands of staff and millions of clients. When there is an emergency, people look at the way he/she speaks and behaves. I realized that I was enjoying that. As I said in French, "les ennuis chassent l'ennui". I discovered that despite stress I could sleep at night.

**HEC When do you think the crisis will be over?**

**B. B.** It is not only a matter of technical solutions. We need to build a new economic and financial system. In the last 40 years, the global paradigm consisted of floating currencies, limited regulation and strong growth of indebtedness. Now we must wonder: what will be the pillars of the new economy? It will take years to answer that question.

**HEC Have you seen some progress yet?**

**B. B.** Of course and fortunately! But a lot remains to be done. When it comes to Europe, the banking union bodes very well for the future. With a banking union around the ECB, the euro area will regain its economic relevance and its financial sovereignty – the latter, let's be clear, has been lost to Wall Street and the City.

**HEC How did you make the transition between Société Générale and the World Bank?**

**B. B.** Since I was a student, I have been passionate about global economic issues. Managing Director at the World Bank was one of those few jobs I was dreaming about. Actually I did not know precisely what it was about – it was more like a fantasy!

At the end of 2012, a headhunter called me to announce that the World Bank's new president was hiring. I met Jim Yong Kim in a hotel room in Tokyo – we spent 3 hours together. He told me: "Barack Obama gave me three days to give my answer, I give you two weeks". As you can guess, it was hard to decline! More seriously, I think that we can reform finance so that it serves economic development. My catholic beliefs also weighed in my decision, as the World Bank's mission is to reduce poverty and inequalities around the world (*see box 2 page 38*). I don't think there are many more noble causes and missions.

**HEC More specifically, can you describe your job?**

**B. B.** I am one of the two managing directors of the World Bank (the entity that includes the IBRD and the IDA) and the CFO of the World Bank Group (which also includes 3 other bodies) (*see box 1*). My responsibilities encompass in particular finance, risk management, information technologies, procurement and real estate.

Jim Yong Kim hired me to help him transform the organization – the last time it was done at that scale was in

**"END POVERTY"**

The main goal of the World Bank Group is to ensure that less than 3% of the world's population will live below the extreme poverty line<sup>(\*)</sup> by 2030. "In the two decades since 1990, the ratio already plunged by a half, to 18%", Bertrand Badré explains. "Much of the decline is due to the rise of China. Now we have to face the most difficult part. Africa is the battlefield. Today, 7 of the 10 fastest-growing countries are located in Africa. One key challenge is to make sure that revenues from raw material exports will be correctly used by governments to foster a more inclusive growth".

(\*) 1,25 dollar a day.



# THE OTHER SIDE

BERTRAND BADRÉ

## What is your favorite motto?

I tend to focus on different mottos sequentially. Today will be borrowed from Theodore Roosevelt. "In any moment of decision, the best thing you can do is the right thing, the next best thing is the wrong thing and the worst thing you can do is nothing".

## What is the quality you are the most proud of?

Enthusiasm and life-appetite.

## Which drawback would you like to change?

Impatience.

## Which quality do you value the most in other people?

Curiosity.

## Which drawback do you tolerate the least in other people?

Bad faith.

## If you had to live in another time, which one would you choose?

Athens in the 5th Century B.C or Florence in the Quattrocento; or today – all are periods when the world was/is changing!

## If you were an animal, what would it be?

A (teddy) bear...

## If you had to choose another career, what would you choose?

I do not like the idea of "career" – I prefer successive choices and changes – I cross fingers for the future.

## What would you bring on a desert island?

Proust because it has it all including and above all, humor. And Blueberry by Giraud because that's where my everlasting passion for comics started...and never died.

## If you had more free time, how would you spend it?

Around the "changing" world with my family.

## What is your best memory of your time at HEC?

The number 1 issue of "le Vilain Petit Canard".

1997. During our job interview, I was very clear with him: "Société Générale is bigger than the World Bank in terms of assets. I don't want to join the World Bank to do the same things I did at SocGen. But if your goal is to transform the institution and turn it into a key player in economic development, I am your man".

The job is actually very exciting. The World Bank has smart people and strong financial clout. It is also the greatest brand in the world! When we take our phone, people answer the call. We play a key role on the international scene. We are members of the G20 and a number of international fora. Mobilizing all our assets to improve people's life all around the world is really an amazing project.

However, governance is quite complex, because we have 188 countries as shareholders, each of them having his own demands and priorities. That requires much patience and humility. Also, our staff encompasses more than 150 nationalities. They cannot be managed as an army of HEC, ENA and Polytechnique graduates. The codes are not the same.

### HEC What are you priorities for 2014?

**B. B.** Next year we will launch a cost-saving plan, a pretty rare thing in international organizations. We will also transform the planning and budgeting systems, review our income policy and rethink the allocation of our balance sheet. Basically, my job is to give a new framework for the organization to change. Jim Yong Kim was looking for someone from the private sector to lead such a disruptive move. In my prior career, I experienced a major crisis, which taught me to make decisions, explain them, quantify them and set up action plans and deadlines. The World Bank was needing this kind of profile. This is anyway what I tried to tell myself every morning on my way to work (smile!) ●

(\*) Michel Camdessus was Managing Director of the IMF from 1987 to 2000.

## WORLD BANK GROUP KEY FIGURES

Source: World Bank

**188**  
shareholders/mem-  
bers (governments).

More than  
**188**  
billion dollars of  
commitments  
between 2008 and  
2011 for education,  
health, food and  
infrastructures  
in developing  
countries.

**53**  
invested/granted/  
guaranteed during  
fiscal year 2013.

**60**  
million people  
supported since  
2008 as part of the  
intervention pro-  
gram against global  
food crisis.