

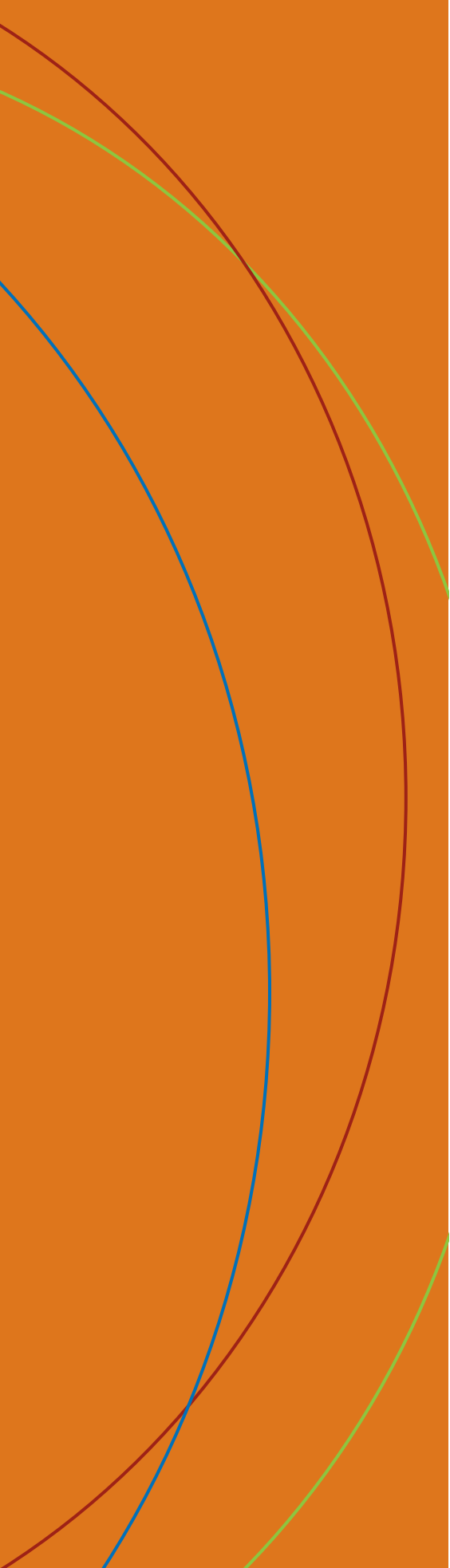


**International  
Finance Corporation**  
World Bank Group

# Central Asia Corporate Governance Project



2006



*"Corporate governance is about promoting corporate fairness,  
transparency and accountability"*

**James Wolfensohn**  
*ex-president of the World Bank Group*

## Dear friends!



**W**elcome to the Central Asia Corporate Governance Project, which is being implemented and financed by the International Finance Corporation (IFC). Our team is based in Almaty and will focus its efforts on corporate governance issues and awareness throughout Kazakhstan.

Kazakhstan is at an exciting stage in the development of its economy. We are seeing Kazakhstani companies listing on both local and foreign stock exchanges and Kazakhstani banks having bond issuances. In order for this development to continue, Kazakhstani companies will need to follow international corporate governance best practices to be attractive options for investment. Throughout the world, both local and global investors are paying greater attention to the corporate governance practices of companies when choosing where to invest.

Improved corporate governance also makes good business sense. Improved corporate governance can reduce the possibility of fraud, increase efficiency and make for more efficient and faster decision-making.

This brochure provides an explanation of what corporate governance is and overviews of our project's planned activities. To date, IFC's corporate governance projects in the CIS have provided consultations to more than 7,830 companies and those companies have gone on to attract over \$448 million in investments, including over \$77 million from IFC. We invite you to learn more about our project and to contact us to assist with any corporate governance-related assistance you may need.

Our team is looking forward to working with you in Kazakhstan!

Sincerely,

**Karl Bach,**  
*Project Manager*



## Why corporate governance?

**Corporate governance** refers to the structure and processes for the direction and control of a company. Good corporate governance contributes to sustainable economic development by enhancing the performance of companies and increasing their access to outside sources of capital.

«**Corporate governance** – is the system by which companies are directed and controlled”

*Definition from the Organization for Economic Co-operation and Development*

The basic principles of **corporate governance** – fairness, transparency, accountability and responsibility—are relevant all over the world.

«**Corporate Governance** is a system of liaison between company's management bodies, shareholders and other stakeholders, which reflects the balance of their interests and is aimed at deriving maximum profit from company's operations in compliance with the legislation in force and in consideration of international standards».

# Why corporate governance matters for companies?

Good governance increases a company's access to all types of external finance: debt and equity, domestic and international, and public and private. In addition, firms seeking to access finance from international sources, such as international equity listings, must improve governance in order to meet more stringent listing requirements. Well-governed companies receive higher market valuations than those that are poorly governed. Better governance structures and processes improve decision-making within all types of companies and enhance their long-term prosperity.

# Why corporate governance matters for IFC?

IFC is committed to improving corporate governance as a way of promoting sustainable private sector investment and strengthening capital markets in emerging markets. IFC operates at many levels:

- IFC works with investment clients individually to help them improve their corporate governance practices.
- IFC implements large-scale donor-funded technical assistance projects to build transparent and well-managed businesses and strengthen investor confidence.
- IFC plays a leading role in the global policy dialogue on corporate governance, through international gathering such as the OECD Roundtables and the Global Corporate Governance Forum.

IFC is a leader among multilateral financial institutions in integrating corporate governance considerations into all phases of the investment process.



# The Central Asia Corporate Governance Project

The project is being implemented and funded by the IFC.

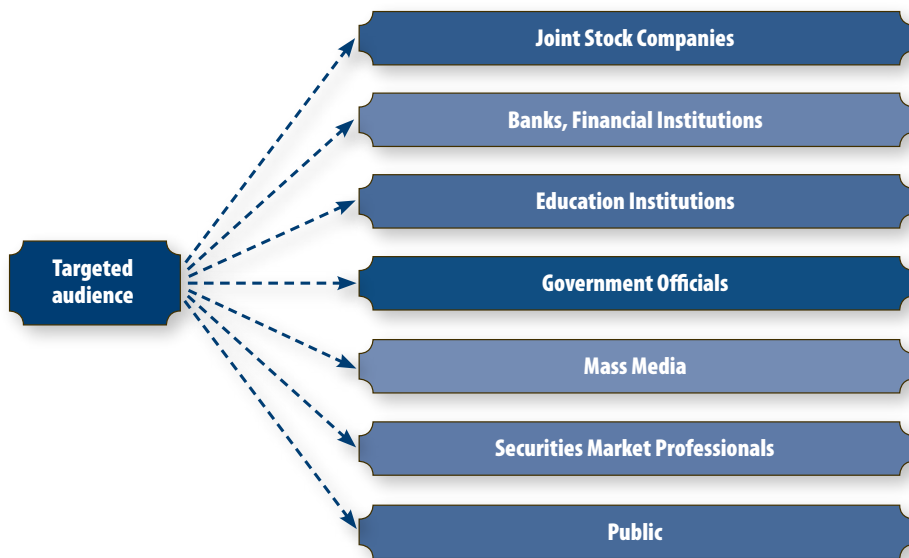
**The Mission of this Project** is to improve the corporate governance practices of local joint stock companies and banks with a view to increasing their ability to attract investment.

The Project will be working in Kazakhstan on the following principle activities, with the possibility of later extending the activities into other Central Asian countries.

## Objectives of the project:

1. Working with joint-stock companies and banks to implement and improve corporate governance practices;
2. Partnering with local educational and training institutions to help develop corporate governance programs targeted to the needs of the next generation of business leaders;
3. Advising on improvements to the legislation and regulatory environment regulating corporate governance issues;
4. Conducting a public education campaign to raise awareness about corporate governance among Kazakhstan's population and shareholder base.

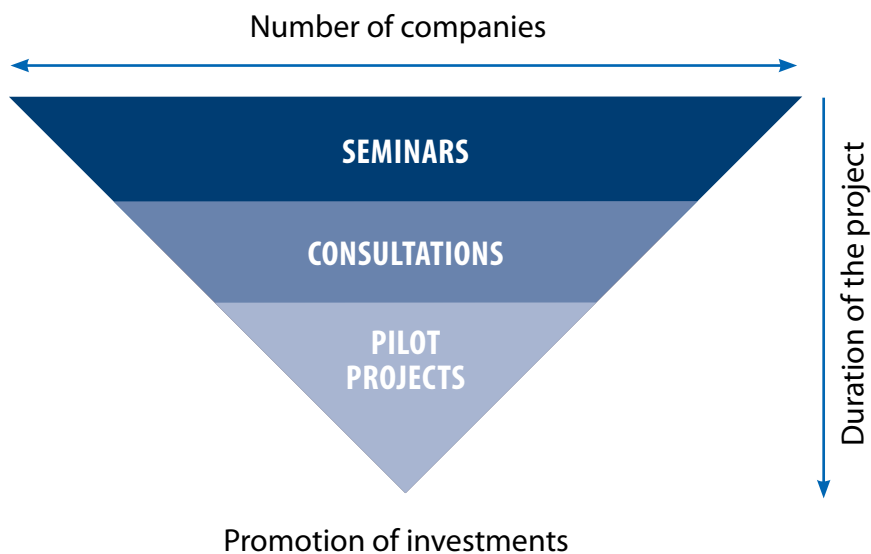
The Project is scheduled for approximately 3 years starting from October 2006.





## Working with joint-stock companies and banks

The Central Asia Corporate Governance Project trains managers, supervisory board members and shareholders of joint-stock companies and banks on corporate governance best practices. Trainings are provided in the form Seminars, Consultations and Workshops. In addition, the project will select a limited number of companies and banks to participate in the Pilot Enterprise Program.



# Pilot enterprise program

A limited group of joint-stock companies and banks will be selected through a competitive process based on their commitment to change, amongst other criteria, and will participate in a comprehensive pilot program to assess their corporate governance practices and help them develop and implement an improvement plan. The Pilot program will include:

- An assessment of a company's corporate governance practices;
- Consultations on improving corporate governance, including structures and relationships between the company's board, management and shareholders;
- Assistance in drafting and revising corporate documents to bring them in line with local legislation and international best practices;
- Assistance in preparing transparent and meaningful financial reports.

# Partnering with local educational institutions

In order to help address the needs of the next generation of business leaders, the Central Asia Corporate Governance Project works with educational institutions to help develop corporate governance programs. Services include:

- Assisting with the drafting and implementation of training programs and curriculum on corporate governance;
- Help in developing corporate governance case studies;
- Train-the-trainer sessions for professors.



# Developing the legal framework

The Central Asia Corporate Governance Project works with authorities to improve the legislative framework related to corporate governance. The Project's experts work on:

- Developing specific policy recommendations and advising the Government of Kazakhstan on improving corporate governance-related regulations;
- Facilitating a public-private sector dialogue on regulatory and legislative issues related to corporate governance;
- Providing information on legislation in other countries and international best practices.

## Public education campaign

The Project provides a national public education campaign to raise awareness about corporate governance among Kazakhstan's population and shareholder base. Activities include:

- Holding round table discussions with journalists and issuing press releases;
- Publishing and disseminating a periodical bulletin devoted to corporate governance issues;
- Creating and maintaining the Project's website, which contains information on corporate governance and useful links;
- Delivering training events and seminars for journalists and partner organizations.



# About IFC projects on corporate governance in CIS

IFC has been implementing a series of technical assistance projects in the CIS since 1997. The following are other IFC projects in the CIS that relate to corporate governance issues:

- Azerbaijan Corporate Governance Project (funded by the Government of Switzerland)
- Georgia Business Development Project (funded by the Government of Canada)
- Russia Banking Sector Corporate Governance Project (funded by the Government of Switzerland)
- Russia Corporate Governance Project (funded by Governments of the Netherlands and Switzerland)
- Ukraine Banking Sector Corporate Governance Project (funded by the Government of Switzerland)
- Ukraine Corporate Development Project (funded by Governments of Canada and Switzerland)

**As of 30 June 2006, more than 7,830 companies in the CIS have received consultations on corporate governance from IFC and have attracted investments of more than \$448 million, including \$77 million from IFC.**

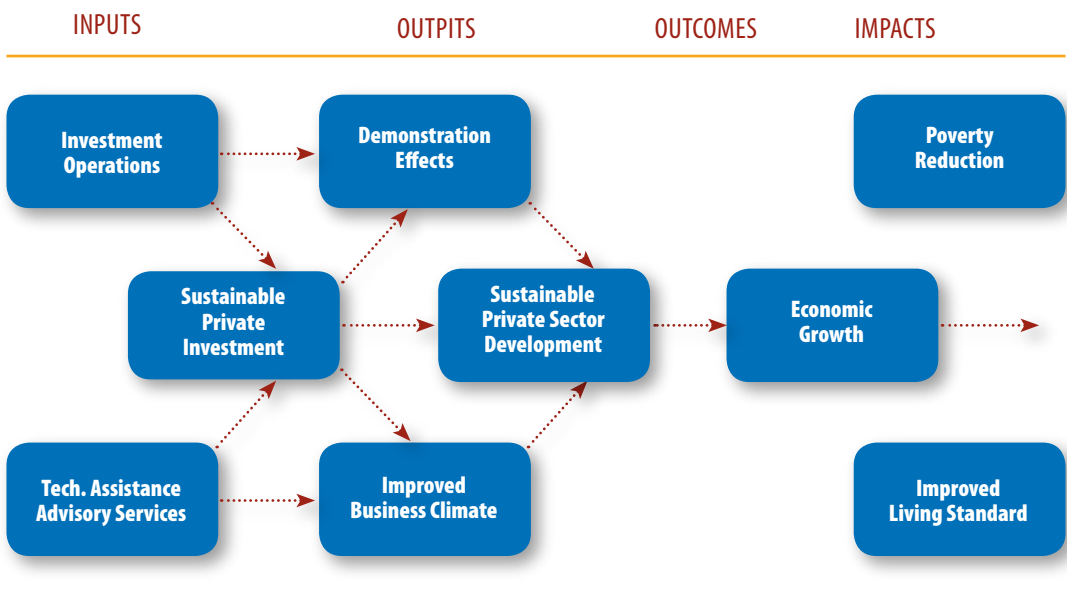


# About IFC

**The International Finance Corporation** is the private sector arm of the World Bank Group and is headquartered in Washington, D.C. IFC coordinates its activities with the other institutions of the World Bank Group but is legally and financially independent. Its 178 member countries provide its share capital and collectively determine its policies.

**The mission of IFC** is to promote sustainable private sector investment in developing and transition countries, helping to reduce poverty and improve people's lives. IFC finances private sector investments in emerging markets, mobilizes capital in the international financial markets, helps clients improve social and environmental sustainability, and provides technical assistance and advice to governments and businesses. From its founding in 1956 through FY06, IFC has committed more than \$56 billion of its own funds and arranged \$25 billion in syndications for 3,531 companies in 140 developing countries. With the support of funding from donors, it has also provided more than \$ 1 billion in the technical assistance and advisory services. For more information, visit : [www.ifc.org](http://www.ifc.org)

## How IFS Operations Help Reduce Poverty and Improve People`s Lives



Kazakhstan became a member of IFC in 1993. As IFC's largest client in Central Asia, Kazakhstan has received commitments of more than \$351 million of IFC's own funds and over \$173 million through banks participating in loan syndications. IFC's efforts are designed to foster dynamic private sector-driven growth, particularly in the non-extractive sectors. IFC is also focusing on the development of the financial sector, support for SMEs, and support for the restructuring of privatized industrial enterprises.



The Central Asia Corporate Governance Project is available to advise joint-stock companies, banks, educational institutions and mass media in Kazakhstan on all types of corporate governance issues.

Please do not hesitate to contact us with any questions or to arrange a meeting with our Project Team:

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