

IFC CENTRAL ASIA CORPORATE GOVERNANCE PROJECT

PILOT PROGRAM SELECTION CRITERIA FOR BANKS AND COMPANIES

These criteria determined by IFC Central Asia Corporate Governance Project represent basic requirements for selecting a company for a long-term cooperation within the Pilot Program.

MANDATORY REQUIREMENTS

- Ownership Structure:
 - Amount of the company's shares owned by the government should not exceed 25%
- Size of Joint Stock Company
 - Middle-sized and large companies with a number of employees:
 - no less than 50 – in –non-manufacturing industries
 - no less than 500 –in manufacturing and construction
 - no less than 150 – in financial service industry
- Restrictions:
 - Companies, which do not produce or sell weapons, alcoholic beverages (except beer and wine) or smokables are not allowed to participate in the Pilot Program
 - Companies operating in other spheres, which in the Project's opinion may adversely affect the company's or the Project's reputation
 - Companies, against which bankruptcy procedures have been initiated will not be allowed to participate in the Pilot Program

ADDITIONAL CRITERIA

I. General Characteristics

- Company's History:
 - Past experience of working with IFC Central Asia Corporate Governance Project or IFC
- Ownership Structure:
 - Companies with a significant number of minority shareholders are welcomed.

II. Commitment to Corporate Governance Improvement

- Incentives of the company's management:
 - The company's officials and majority shareholders are interested in the company's corporate governance improvement
 - One of the reasons for corporate governance improvement is the willingness to enhance the company's investment attractiveness

- Favorable cooperation conditions:
 - Services, rendered by IFC Central Asia Corporate Governance Project, are in accord with the company's needs
 - The company's management expresses its interest in cooperation
 - The company's management provides the Project's staff with full free access to the company's documentation and employees
- Preparedness to reforms:
 - The company is ready to implement mechanisms and procedures for corporate governance improvement
 - The company's management is ready to revise its Charter and By-laws
 - The company is prepared to abide by recommendations on financial management improvement

III. Investment Potential

- Business Reputation:
 - Good business reputation
 - Absence of serious external and internal conflicts, including claims to the company's assets, which may have adverse effects either on the company or the Pilot Program
 - Absence of environment problems, labor and/or other social conflicts.
- Financial Position:
 - The company's profitability is not a priority factor however preference will be given to those companies, which had profits during two preceding fiscal years;
- Growth Schedule:
 - The company has a specific development, additional capital attraction or expansion of production capacity plan;
 - Availability of foreign investment in the company is preferred, but is not mandatory.