

IFC's Role in Improving Corporate Governance in Latin America and the Caribbean

Good corporate governance is essential for modern, well-managed corporations. Many Latin American enterprises, both publicly traded and closely-held firms, have reached a stage in their corporate life where improving transparency, professionalizing board practices, and reinforcing shareholder rights have become especially crucial to their future growth and competitiveness.

The International Finance Corporation (IFC) integrates corporate governance considerations into all its investments and its advisory role in the region. One of IFC's key goals is to help clients improve their corporate governance. Good practices also helps IFC manage risks.

IFC has helped improve corporate governance at client companies in more than 80 countries, including many in Latin America. This broad experience has positioned IFC as a leading global authority on governance issues for the private sector in emerging markets.

IFC is working at many levels to improve corporate governance practices in Latin America. This includes operational work with clients; co-sponsorship of the Latin America Corporate Governance Roundtable, along with OECD; design of training programs for companies in the region; and advice to governments on regulatory reforms.

Operational Work with Clients

IFC's Corporate Governance Methodology helps the Corporation's investment staff assess the quality of corporate governance at potential clients and identify ways to improve these companies' governance policies and practices. The Methodology (available at www.ifc.org/corporategovernance) was first developed for Latin American firms, and it is now applied, with modifications, on a global basis. It employs assessment tools tailored to the specific governance priorities of publicly-listed companies, founder and family-owned firms, financial institutions, and newly privatized enterprises. The Methodology focuses on making the business case for corporate governance; it is fully integrated with IFC's operating procedures and is applied in all the Corporation's investments. Members of IFC's Corporate Governance Department participate in appraisal of client companies whenever corporate governance issues are identified as a particularly important concern.

Training for Companies

IFC organized and delivered corporate governance training for client companies and other firms in the region. In Colombia, for example, IFC conducted training in 2002 for senior executives of Grupo Antioqueño in collaboration with the country's Confederation of Chambers of Commerce (CONFECAMARAS) and OECD. In 2004 and 2005, IFC staff conducted training programs in Mexico and Costa Rica along with Mexico's Center for Excellence in Corporate Governance, a joint venture of Universidad Anahuac del Sur and the Mexico City office of Deloitte Touche Tomatsu (CEGC).

Latin American Roundtable and Companies Circle

IFC co-sponsors the OECD's Latin American Corporate Governance Roundtable, which has been the cornerstone of IFC's global leadership efforts in the region since 2000. The Roundtable brings together business leaders, investors, government officials, professionals, and corporate governance advocates to develop a reform agenda for the public and private sectors. Building on its discussions, the Roundtable issued its *White Paper on Corporate Governance in Latin America* in 2003. Its conclusions and recommendations serve as a practical reform agenda for public and private stakeholders across the region. As part of the Roundtable, in 2005 IFC and the OECD launched the Companies Circle, which convenes a select group of Latin American companies that are highly regarded for their corporate governance initiatives so that they can share experiences and encourage other companies to adopt these practices. The Circle's first meeting was held in Sao Paulo in May 2005. Representatives of the Circle presented their work program at the Sixth Annual Meeting of the Corporate Governance Roundtable in Lima in September 2005. The Circle

Corporate governance involves the ways modern corporations are directed and controlled. Practices can vary among companies and countries. For globally mobile investors, the corporate governance of firms has become an increasingly important factor when choosing where to invest. Good governance has thus become a central concern for governments and companies that seek to attract capital and to develop sound capital markets.

published “Case Studies of Good Corporate Governance Practices” in November 2005. This booklet is available in English, Spanish and Portuguese from the IFC website.

Engagement with Clients on Corporate Governance Issues

IFC has worked directly with the clients indicated below to improve their governance regimes. IFC assists its corporate governance clients to communicate the quality of their governance within their home market, across the region, and around the globe.

Company Name	Country	Year
Suzano	Brazil	2005
Itambé	Brazil	2005
Banco BISA	Bolivia	2004-05
Comsur	Bolivia	2003-05
Banco Real	Brazil	2004-05
Coppel	Mexico	2005
GP Investimentos	Brazil	2005
Grupo Galicia	Argentina	2005
Carvajal	Colombia	2004
HipNal	Mexico	2004
Dynamo Puma II	Brazil	2003-04
Transec	Chile	2003-04
Copesul	Brazil	2002-04
Copamex	Mexico	2003
Riopaila	Colombia	2003
Sea Farms	Honduras	2003
Titularizadora	Colombia	2003
CPFL	Brazil	2002-03
Favorita	Ecuador	2002
Bavaria	Colombia	2002
Odebrecht	Brazil	2002
Interforest	Guatemala	2002
Davivienda	Colombia	2002
Puertas Finas	Mexico	2001

Latin American Roundtable and Companies Circle

IFC co-sponsors the OECD Latin American Corporate Governance Roundtable, which has been the cornerstone of IFC’s global leadership efforts in the region since 2000. The Roundtable brings together business leaders, investors, government officials, professionals, and corporate governance advocates to develop a reform agenda for the public and private sectors. Building on its discussions, the Roundtable issued its *White Paper on Corporate Governance in Latin America* in 2003. The conclusions and recommendations of the white paper serve as a practical reform agenda for public and private sector stakeholders across the region.

Mike Lubrano

Head, Investor and Corporate Practice
Corporate Governance Department
Tel: 1-202-473-7891 Email: mlubrano@ifc.org
www.ifc.org/corporategovernance

Atul Mehta

Director, Latin America and the Caribbean
Tel: 1-202-473-0664 Email: amehta@ifc.org
www.ifc.org/lac

Andrew I. Gunther

Country Manager, Brazil
Tel: 55-11-51-85-6860 Email: agunther@ifc.org
www.ifc.org/lac

As part of the Roundtable, in 2005 IFC and the OECD launched the Companies Circle, a select group of Latin American companies that are highly regarded for their corporate governance initiatives. Members of the Circle can share experiences and encourage other companies to adopt similar practices. The Circle’s first meeting was held in Sao Paulo in May 2005. Representatives of the Circle presented case studies of their governance improvement programs and introduced the Circle’s future work program at the Sixth Annual Meeting of the Corporate Governance Roundtable in Lima in September 2005. The Circle published “Case Studies of Good Corporate Governance Practices” in November 2005. This booklet is available in English, Spanish and Portuguese from the IFC website.

Private Sector Responses: Novo Mercado in Brazil

IFC provided technical and promotional assistance to Bovespa’s Novo Mercado at its inception in 2001, and continues to support the use of special listing segments for well-governed Latin American companies. IFC has helped many Brazilian companies prepare for an eventual listing on the Novo Mercado. IFC is also supporting Bovespa’s efforts to launch its Access Market (Mercado MAIS), a new segment for smaller companies that agree to abide by best corporate governance practices for such firms.

Legal and Regulatory Reform: Brazil, Chile, Colombia

IFC believes that a modern regulatory framework and better corporate governance practices are crucial to building greater public confidence in each country’s securities market.

As a global investor, IFC offers experience and perspective to governments and regulators as well as companies. The governments of Brazil, Chile, and Colombia called on IFC to advise them on corporate governance reforms central to developing healthy capital markets. In 1998-99, IFC served as advisor to Chile’s Ministry of Finance on the drafting of the country’s landmark tender offer legislation (Ley de OPAs). In 2001, IFC advised the Brazilian government on reform of its corporate and securities laws. In 2002-03, IFC also assisted the Colombian authorities in drafting the corporate governance provisions of its proposed securities markets law.

Institutes of Directors

IFC regularly collaborates with institutes of directors and corporate governance centers throughout the region. IFC has provided technical support to the Brazilian Institute of Corporate Governance, the oldest and largest such organization in the region, as well as to the corporate governance program of Colombia’s Confederation of Chambers of Commerce (CONFECAMARAS) and Mexico’s Center for Excellence in Corporate Governance.