

# IFC's Role in Improving Corporate Governance in Sub-Saharan Africa

Good corporate governance, focusing on building strong boards, protecting shareholder rights, improving the company's control environment and increasing financial and non-financial transparency and disclosure, contributes to the creation and development of a sustainable private sector which is at the core of development in Africa. Despite having many similarities in corporate governance issues with other regions, Africa faces unique governance-related challenges. Although corporate governance is not new to many African companies, it is still often in its infancy stage. This, coupled with the need to develop a sustainable private sector to reduce poverty and improve people's lives, puts the International Finance Corporation (IFC) in an important position to play a major role in supporting African companies in advancing their corporate governance practices.

Recent global focus on Africa has been accompanied by a significant increase in the IFC's Africa portfolio, which rose from US\$ 140 million in FY 2003 to US\$ 1.3 billion in FY07 – making IFC the largest multilateral source of loan and equity financing for private sector projects in Africa.

IFC integrates corporate governance considerations into all its investments in Africa. By helping clients improve their corporate governance practices, IFC contributes to increasing African companies' access to cheaper capital, improving their operational results, transparency and corporate reputation. Working with client companies to adopt good governance practices also helps IFC manage risks.

IFC devotes resources on many levels to improve corporate governance policies and practices in Sub-Saharan Africa. These efforts include: operational work with clients; activities to design and launch wide-scale corporate governance advisory services projects; supporting the advancement of corporate governance debate in the region through the Pan-African Consultative Forum on Corporate Governance, training for companies, and providing support in developing Codes of Best Practices.

## Operational Work with Clients

The IFC provides a Corporate Governance Methodology, a framework used to assess IFC clients. The recently upgraded corporate governance assessment tools are tailored to the different governance priorities of publicly listed companies, founder and family-owned firms, financial institutions, newly privatized enterprises and state owned enterprises. This methodology is used as an input into risk analysis and the investment decision process, and to assist our client companies in improving their governance practices. Focused on making the business case for corporate governance, the Methodology is adapted to clients' needs. Client companies are examined for their commitment to corporate governance, board practices, transparency and disclosure, internal control, treatment of minority shareholders. Outputs are designed to help clients improve their practices leading to improved efficiency and improved access to finance. Members of IFC's Corporate Governance Department provide support to investment teams conducting due diligence reviews, and become members of the appraisal team in cases where corporate governance issues are identified as a particularly important risk or opportunity Corporate Governance (?). Currently, and due to the importance of financial intermediation for eco-

nomie growth in Africa, IFC identifies financial institutions as a major priority for corporate governance engagements in the region.

*Corporate governance involves the ways modern corporations are directed and controlled. Practices can vary among companies and countries. For globally mobile investors, 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.*

## A Sample of IFC's Corporate Governance Clients in the Region

Company Name	Country	Year
ABC Holdings	Botswana, Zimbabwe	2006
ETI (Ecobank)	West Africa	2006-07
UBA	Nigeria	2006
CFH	Central Africa	2007
Micro Provident (Letshego)	Botswana	2007
FBN	Nigeria	2007

### Advisory Services

IFC's private sector development strategy in the region calls for an increase in advisory services, which is being delivered through the Private Enterprise Partnership for Africa (PEP Africa). PEP Africa establishes partnerships with donors, governments, and the private sector to design and deliver technical assistance programs and advisory services that improve the investment climate, mobilize private sector investment, and enhance the competitiveness of SMEs. Advisory services efforts also focus on introducing better corporate governance practices in African companies, financial institutions and the private sector at large. In this context, PEP Africa is currently implementing a three year advisory services program in Nigeria aiming at enhancing the efficiency and transparency of the Nigerian financial sector by improving corporate governance policies and practices of the Nigerian banks. The program aims to mainstream corporate governance issues by (1) working with the Central Bank of Nigeria to improve implementation and monitoring of the Corporate Governance Code for Banks; (2) supporting Nigerian banks to implement better corporate governance practices; (3) working with the local educational and professional training institutions to introduce or improve corporate governance curricula; (4) building local institutions to ensure a sustainable corporate governance development in Nigeria, including local consulting capacity; and (5) raising public awareness about the needs and benefits of improved corporate governance practices within the Nigerian financial institutions.

Apart from such wide-scale projects, smaller targeted corporate governance interventions at the company and country level are being, or have been, carried out including a training event for state owned enterprise directors in DRC and the launch of the institute of directors in Moçambique in collaboration with the GCGF.

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## The Pan-African Consultative Forum

IFC, through the Global Corporate Governance Forum (GCGF), co-sponsors the Pan African Consultative Forum on Corporate Governance (PACFCG), which has been a cornerstone for raising awareness of corporate governance in Sub-Saharan Africa since 2001. Focus is now on a practical phase of activity geared towards improving corporate governance in the region. To date, three meetings of the PACFCG were held with the support and partnership of a number of leading international and continental institutions (including African Capacity Building Foundation, the African Development Bank, the Center for International Private Enterprise, the Center for Corporate Governance (Kenya), the West African Bankers' Association, the NEPAD Secretariat, and the UN Economic Commission for Africa) and governments of African countries (e.g., South Africa, Kenya, and Senegal).

The GCGF's discussions contribute to reviewing progress and achievements in implementing good corporate governance practices at the sector and country levels in Africa, discussing the participants' expectations, challenges and efforts in meeting internationally accepted standards of corporate governance, exchanging experiences and fostering cooperation among institutions on the continent and globally, leading the reform effort in corporate governance, especially in enhancing the qualities and standards of board directors and management for more effective performance of corporations in the private and public sectors, reviewing and reforming the legal and regulatory framework for good corporate governance in the region.

### Building Capacity for Director Training Programs

The GCGF continues to promote its training programs and products including its Corporate Governance Leadership Program for the Southern and East Africa region. This program builds capacity to train individuals who then provide director education programs about board roles and responsibilities. In addition a Corporate Governance Leadership Kit geared towards enhancing training capacities of Directors institutions was recently piloted in Mauritius and will be formally launched in early 2008.

### Providing Support in Developing Codes of Best Practices

The GCGF has published its Toolkit 2 on Developing Corporate Governance Codes of Best Practices (also available in French and Arabic). Using existing institutional support at the country level, the GCGF will provide outside experts to facilitate the process for developing, implementing and reviewing codes of best practice and which is presently under discussion with a number of countries and institutions in Africa.

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