

## Corporate Governance

### *At a Glance*

- **Sound corporate governance makes companies stronger, more efficient and accountable, and supports implementation of good environmental and social practices.** We work with the private sector in emerging markets and developing countries to achieve these goals by putting in place corporate governance practices that allow businesses to mitigate risk, safeguard against mismanagement, and attract the investment and capital that will fuel their growth.
- **Improved corporate governance practices also increase access to markets and lower the cost of capital, which encourages new investments, boosts economic growth, and provides employment opportunities.** Businesses that operate more efficiently tend to allocate and manage resources more sustainably. Better stakeholder relationships help companies address environmental protection, social, and labor issues.
- With strong donor support, IFC continues to build up corporate governance advisory programs in sub-Saharan Africa, Latin America and the Caribbean, and East Asia and the Pacific. In close collaboration with the World Bank, IFC is ensuring that regulation in emerging markets is developed using IFC's frontline experience as an investor. **Together, we developed and have started to implement a corporate governance strategy for Latin America and the Caribbean, with a particular focus on Perú and Colombia.**

### *What IFC is Doing*

IFC advises individual companies before it invests in them and works with organizations and institutions to promote the appropriate regulatory environment for sound corporate governance:

- Providing investment and advisory services to promote sound corporate governance practices by **delivering large-scale firm-level interventions and promoting company-level change.**
- **Developing partnerships and building local capacity for sustainability** by building the capabilities of local partners to deliver corporate governance services to companies.
- **Promoting board-level change** by nominating directors to the boards of investment clients so that IFC helps to improve client practices and create shareholder value.
- **Advocating a common set of guidelines** by adopting the [Corporate Governance Development Framework](#) to support sustainable economic development in emerging markets, based on IFC's corporate governance methodology.
- **Improving board diversity in emerging markets** by promoting women leadership and starting a policy-level dialogue aimed to increase the number of [women on boards](#).
- **Developing knowledge tools and research** to help companies operate more profitably and grow.
- **Strengthening partner organizations** by helping build capacity of regulators, institutes of directors, corporate-governance associations, the media, and educational institutions in over 40 countries.
- **Promoting codes and regulations** to enhance corporate governance practices at the national level, to help raise standards, drive reform efforts, and encourage private sector commitment to sound corporate governance.
- **Resolving corporate governance disputes** by equipping board directors with tools, skills and knowledge to prevent, mitigate, and efficiently [resolve board-level disputes](#).
- **Working with fragile and conflict-affected states** by working in countries such as Afghanistan, Bosnia and Herzegovina, Iraq, Myanmar, Timor-Leste, and Yemen to promote good corporate governance practices.

### *Results*

- IFC reached over 14,500 entities between July 2005 and December 2014, helping facilitate \$5.5 billion in new financing in more than 30 countries. So far in fiscal year 2015, we had over 30 firm-level corporate governance fee-based engagements as part of our advisory services. We have also conducted over 40 corporate governance assessments for IFC clients as part of our investment operations.
- IFC is strengthening its firm-level work by building the capabilities of local partners to deliver corporate governance services to companies. In Europe and Central Asia alone we partnered with 25 local institutions in 12 countries, and the lessons learned are now being transferred to other regions.
- Since September 2011, 33 development finance institutions, including IFC, adopted the [Corporate Governance Development Framework](#). Signatories cover emerging markets around the world.

- IFC has joined forces with a variety of organizations to strengthen corporate governance practices in Sub-Saharan Africa, Indonesia, Morocco, India and Panamá.
- IFC has contributed to the development of 77 [corporate-governance codes and laws](#) in 24 countries.
- As of March 2015, 28 percent of IFC nominee board directors are women. IFC aims to increase this share to 30 percent by 2015.
- IFC has recently developed training curricula to build the corporate governance capacity of SMEs.
- In fiscal year 2014 and continuing in fiscal year 2015, IFC developed [specialized firm-level services for clients in key areas](#) of the control environment, board effectiveness and family business governance. IFC is now developing corporate governance services on preparing for initial public offerings.
- IFC is working closely with regulators in Vietnam, Mongolia, Kenya and Indonesia to jointly develop corporate governance roadmaps to improve emerging markets regulatory environment, and discussing the development or review of codes and scorecards.

### **Examples**

**Altyn Ajydaar, LLC, Kyrgyz Republic.** In 2011 IFC approved an investment (debt) of \$2.25 million for Intermultiservice, LLC (IMS) a Kazakhstani subsidiary of Altyn Ajydaar, a family owned business and a leading producer of high quality corrugated packaging in the country. With a local market share of 70 percent. IFC also delivered corporate governance assistance to help streamlining governance within the companies, with clear policies and procedures for involvement of family members, succession planning and efficient decision making. Improved corporate governance has provided additional assurances to investors and the market about the health and stability of the companies into the next generation, enabling a lower cost of capital. In early 2015, IFC rewarded Altyn-Ajydar and IMS for corporate governance improvements by reducing the relevant spread on the IMS's existing loan and supporting its expansion to a larger market in neighboring Kazakhstan.

**Malia Holding, Lebanon.** In 2010 IFC invested \$14 million (debt) in Malia, a Lebanon based family-business established in 1936. Today, the multifaceted group of companies owns equity participation in six sectors, including: industries, consumer goods distribution, solutions, fashion and luxury, engineering and contracting and hospitality real estate. IFC provided corporate governance assistance to help Malia to strengthen its corporate governance framework and practices through restructuring their board and formalizing committees, clarifying its responsibilities, improving the control environment, establishing a risk management function, preparing a management succession plan, and developing the family employment policy. The IFC loan enabled the company to develop a green-field hotel in Erbil, located in the Kurdistan region of northern Iraq. Building a robust and complete corporate governance framework will help Malia to strengthen its corporate governance practices and procedures and, in doing so, prepare itself for the requirements of stock exchange listings in Lebanon, Dubai, and the United Kingdom.

For more information, visit <http://www.ifc.org/corporategovernance>

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