

# Corporate Governance

## KEY HIGHLIGHTS OF FISCAL YEAR 2014

Sound corporate governance makes companies stronger, more efficient and accountable, and supports implementation of good environmental and social practices. IFC works 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. We aim to replicate the sustainable model implemented in Europe and Central Asia to work closely with partner intermediaries to build their capacity to deliver corporate governance advisory services and training to firms and banks in their local markets.

## ACCOMPLISHMENTS IN FISCAL YEAR 2014

Building on our successes in Europe and Central Asia, IFC continued in FY14 to build strong local partnerships as a central component of our work.

In that region IFC sustained its work with over 20 local partners in 12 countries to build their capacity to deliver training and consulting services, helping them to generate over \$320,000 in sales revenue in just over two years. In the Kyrgyz Republic and Tajikistan, IFC client companies reported an additional \$10.8 million in financing following improvements in corporate governance practices.

Elsewhere, IFC joined forces with a variety of organizations to strengthen corporate best practices. In Sub-Saharan Africa, IFC partnered with a network of institutes of directors to improve corporate governance. In Indonesia, we partnered with the local institute for corporate directors and joined forces with a family business foundation to improve the governance of family-owned enterprises. And in Morocco, in partnership with the local institute of directors, IFC helped to deliver a training program aimed at widening the pool of professional directors available to sit on the boards of small- and medium-sized businesses. We also organized a board leadership training of trainers program in collaboration with the Indian Institute of Corporate Affairs to help create a key constituency of trainers in India, and in Panamá, we delivered a fee-based train the trainer workshop in partnership with the Corporate Governance Institute of Panamá. Earlier, the same institute delivered training for local journalists using IFC's media guide on reporting on corporate governance.

In FY14 IFC achieved other milestones in the regulatory environment for corporate governance. 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 a corporate governance strategy for Latin America and the Caribbean, with a particular focus on Perú and Colombia. In Kenya, we are jointly developing a corporate governance roadmap to improve emerging markets regulatory environment, and discussing the development of codes and scorecards. In Vietnam we are jointly revising the Law of Enterprises and finalizing the Governance Report on Standards and Codes.

We worked with regulators in Bangladesh to establish greater consistency in corporate governance regulations. In Mongolia, IFC partnered with a regulatory commission to launch the corporate governance code to enhance the competitiveness of Mongolian companies. In Indonesia, IFC and the regulator, Otoritas Jasa Keuangan, launched the country's first corporate governance roadmap.

In total, as of June 2014, IFC has helped firms attract \$3.4 billion in financing. IFC has also contributed to the development of 77 corporate-governance codes and laws in 24 countries. Additionally, in FY14 we had nearly 60 firm-level corporate governance fee-based engagements. We also conducted nearly 90 corporate governance assessments for IFC clients as part of our investment process.

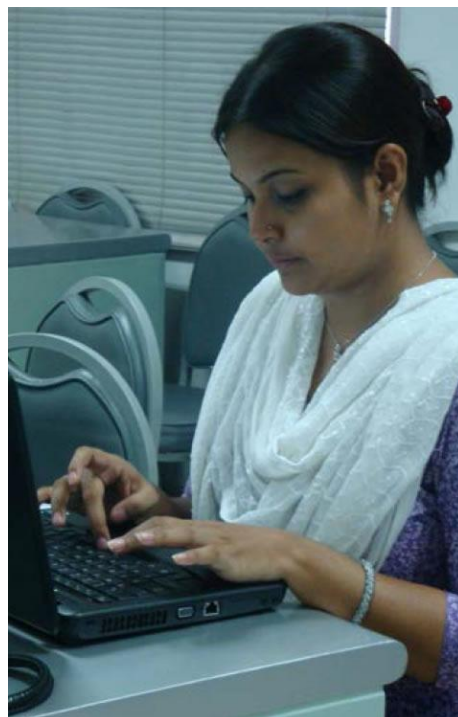
IFC's wealth of experience has attracted the attention of development banks and other investors working in emerging markets, who look to IFC for leadership on corporate governance strategies. By FY14, more than 30 development finance institutions have implemented IFC's Corporate Governance Methodology, a process of analyzing corporate governance structures and policies.

We also successfully worked to create sound corporate governance in several conflict-affected states, including Timor-Leste, Yemen, Bosnia and Herzegovina, Myanmar, and Iraq.

## LESSONS LEARNED

As part of our overall corporate governance work, IFC is building capacity, raising IFC's convening power allows us to build partnerships and create networks, allowing our partners to learn from each other. We continue to learn how we can better build the capacity of local partners to deliver corporate governance services in their respective markets, contribute to their sustainability, and increase their sense of ownership.

Our close alignment of investment support and advisory services in each region has allowed us to create flexible teams to focus on global-local issues. We continue to reinforce our comprehensive approach in partnering with the World Bank in our work with regulators, with media to raise awareness, with academia to reach the next generation of managers, and at the firm level to directly impact their operational efficiency and demonstrate the benefits to other companies.





## STRATEGIC ORIENTATIONS

IFC will continue to replicate the Europe and Central Asia regional capacity-building efforts, focusing on intermediaries to strengthen their ability to deliver corporate governance services in the regions of the East Asia and the Pacific, Sub-Saharan Africa and Latin America and Caribbean. We will continue to partner with local organizations to deliver fee-based services to firms and banks to enable them to become sustainable. We will also continue to enhance our service offerings focused on strengthening control environments, and improving board effectiveness and family business governance.

In FY15, IFC plans to develop training curricula to build the corporate governance capacity of SMEs. IFC also plans to co-sponsor the Fifth International Conference on Corporate Governance in Emerging Markets, to take place in 2015 in South Africa. Eleven publications and good practice guidance and capacity-building materials are also planned, along with human interest stories from our work around the world.

Strong corporate governance depends on diversity in board leadership. IFC will continue in this next fiscal year to strive to increase the number of women who serve as nominee directors on the boards of our client businesses. To date, almost a quarter of IFC nominee directors are women. We are committed to increasing that share to 30 percent by the end of FY15.

### **IFC Corporate Governance Group**

The Group brings together staff from investment support and advisory operations into a single, global team. This unified team advises on all aspects of corporate governance and offers targeted client services in areas such as increasing board effectiveness, improving the control environment, and family businesses governance. IFC Corporate Governance Group also helps support corporate governance improvements and reform efforts in emerging markets and developing countries, while leveraging and integrating knowledge tools, expertise, and networks at the global and regional levels.

## PROJECT EXAMPLE: HELPING YEMENI BUSINESSES THRIVE AMID UNREST

Yemen's business environment suffers from a lack of corporate governance standards, particularly among family-owned business, which constitute roughly 95 percent of the country's workforce. Cultural barriers to women's participation in business and years of political uncertainty and a troubling security situation have created additional difficulties for small- and medium-sized enterprises. Improved corporate governance can improve companies' performance, facilitate women's ability to play a prominent role in business, and attract essential investment.



IFC reached out to nearly 600 representatives from local companies and other stakeholders, either directly or through local partners, to raise awareness and build knowledge on good corporate governance practices, including the importance of gender diversity, through training events and workshops. Trainings furnish female board members with the corporate governance skills they need to

guide their business, and support companies by improving performance and making them more attractive to investment.

IFC works with partner organizations to train SME owners and employees and management and staff at banks and financial institutions to raise awareness of the benefits of good corporate governance practices and to provide technical assistance on developing a clear strategic direction for the company, supporting and guiding executive directors, and establish committees to support the board. IFC has played a prominent role in increasing the awareness of the value that women can add to a company's success.

After helping launch the Yemen Institute of Directors, IFC's local partner, and to ensure sustainability of their capacity-building program, IFC trained four Yemeni women to become corporate governance trainers. This increased women's participation and diversity of the training team, and improved the local partner's ability to conduct this type of training. The institute already delivered a workshop for family business on its own with promising results.



As of FY14, more than 200 Yemeni companies and banks have received advisory services from both projects, with a combined total of 30 reporting making corporate governance changes thus far, which has helped facilitate \$15.5 million in financing. Some of the SMEs trained reported improved productivity, decision making, internal controls, lower cost of capital, and other improvements. We expect the numbers to grow as the second project continues implementation.