Corporate Governance Development Framework

OVERVIEW
The Corporate Governance Development Framework (CGDF) is a common approach on how to address corporate governance risks and opportunities in investment operations in emerging markets. As of April 2015, it was adopted by 34 development finance institutions, including IFC.

Based on IFC’s Corporate Governance Methodology, the CGDF provides signatory institutions a common platform for evaluating and enhancing governance practices in their investee companies. This CGDF is the result of extensive collaboration among members of the DFI Corporate Governance Working Group, which consists of representatives of several international finance institutions.

THE FRAMEWORK
Each signatory of the CGDF undertakes to:

1. Integrate Corporate Governance in its investment operations
2. Ensure internal responsibility
3. Provide or procure training
4. Collaborate with other signatories
5. Report on implementation

THE TOOLKIT
In 2010, the DFI Toolkit on Corporate Governance was launched as a result of extensive collaboration among the Working Group members. The toolkit is based on IFC’s Corporate Governance Methodology and serves to assess the corporate governance of investee companies and promote the rapid implementation of the CGDF. In addition, signatory institutions are encouraged to adapt the toolkit to their own requirements and the needs of their investee companies.

The main documents of the toolkit are a Corporate Governance Questionnaire, and a Corporate Governance Progression Matrix. An Instruction Sheet on how to use the different components of the Toolkit, a list of key terms, and sample templates are also provided for further guidance.

DUTIES OF THE WORKING GROUP
The Working Group facilitates the implementation of the CGDF or any future agreement the signatories may decide to agree upon in relation to cooperation on corporate governance. Specific duties include (1) organizing an annual conference in which signatories gather to share experience and foster communication; (2) facilitating the annual reporting about progress in the implementation of the CGDF; and (3) performing other tasks the signatories may deem useful or provide specific assignments for.

BACKGROUND
Corporate governance is defined as the structures and processes by which companies are directed and controlled. Good corporate governance helps companies operate more efficiently, improve access to capital, mitigate risk and safeguard against mismanagement. It makes companies more accountable and transparent to investors and gives them the tools to respond to stakeholder concerns. Corporate governance also contributes to development by helping facilitate new investment, access to capital, and long-term sustainability for firms, leading to economic growth and increased employment opportunities across markets.

IFC CORPORATE GOVERNANCE GROUP
The IFC Corporate Governance Group brings together staff from investment support and advisory operations into a single, global team. This integrated 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. The 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.
SELECTED INDICATORS AS OF APRIL 2015

- 34 DFIs, including IFC adopted the CGDF. The signatory institutions cover emerging markets around the world, including Africa, Latin America and the Caribbean, Asia, Middle East, North Africa, Europe and Central Asia.

- 9 annual meetings held. Last one took place in Mexico in March 2015 hosted by Nacional Financiera (Nafinsa), the national development bank of Mexico.

ANNUAL DFI MEETINGS AND NEXT STEPS

At the last annual meeting, participating institutions reviewed the implementation progress of the CGDF and noted significant developments in signatory efforts to operationalize its objectives. In particular, during 2015, an increasing number of DFIs incorporated corporate governance assessments as a mandatory part of their due diligence processes, thus, raising the overall number of corporate governance assessments across all signatories to new levels. The number of DFIs that have created a full time corporate governance position in house has increased as well.

The following priorities were identified for the 2015/2016 period:

1. **Cooperation and communication**: The next annual conference will be hosted by PROPARCO in April 2016. Meantime, the Working Group will promote the creation of regional chapters of the CGDF for Latin America and the Caribbean, Europe, and Africa.

2. **A focus on governance challenges when providing debt only** and exploring how best to promote corporate governance of Funds, as well as the governance practices of their investee clients.

3. **Broaden our reach**: Widening the network of institutions that can become signatories to the CGDF and seek to form strategic partnerships with non-DFI corporate governance stakeholders.

4. **Nominee Directors**: Deliver a Nominee Director Policy Guidance Document to help DFIs draft their directorship policies.

WORKING GROUP MEMBERS

It is composed of nine institutions, namely the Black Sea Trade and Development Bank (BSTDB), the Development Bank of Latin America (CAF), Deutsche Investitions und Entwicklungsgesellschaft mbH (DEG), the Dutch Development Bank (FMO), the Inter-American Development Bank (IDB), the International Finance Corporation (IFC), the Inter-American Investment Corporation (IIC), the Islamic Development Bank (IsDB), and the Investment and Promotions Company for Economic Cooperation (PROPARCO).

CONTACTS

Sanaa Abouzaid | +1 (202) 299 4299
Washington, DC | sabouzaid@ifc.org

Darrin Hartzler | +1 (202) 473 0027
Washington, DC | dhartzler@ifc.org

ifc.org/corporategovernance

http://cgdevelopmentframework.com/

June 2015