

# A Brief History of IFC's Corporate Governance Advisory Services

The breakup of the Soviet Union in the 1990s led to the birth of a raft of newly independent republics. However, the rocky transition from central economic control to market economies during that period made IFC investment in private enterprises next to impossible in any of the new republics. Rather than sit on the sidelines and watch, IFC made a bold decision: to assist in the development of market economies by helping these new governments re-organize and sell off non-functional or inefficient state-owned enterprises to private entities. The end goal of this strategy was future IFC investment in the private sectors that we helped to create. Along the way, we developed a viable model for corporate governance projects that has been successfully replicated—with refinements along the way—throughout the region and beyond.

In the newly independent republics of the former Soviet Union, the key players didn't understand all that they didn't know about corporate governance. As such, IFC's early corporate governance advisory services efforts were, in effect, experiments in heightening awareness about the role and importance of corporate governance in these countries.

Starting first in Ukraine, and then moving throughout the region, we designed projects that reached a wide range of key parties, including companies, governments, academic institutions, and the media. Our efforts sought to educate these parties on the value of good corporate governance and create strong demand for our corporate governance advisory services. The approaches used have been tested and refined over the course of more than a decade, resulting in the development of a flexible and adaptable corporate governance donor-funded project model. The model has been replicated—with strong results—in other regions where IFC is active, with specifics customized to fit local conditions.

This work has helped strengthen general business environments to encourage more private sector development. In addition, improvements in corporate governance have helped companies that are preparing to seek outside capital to enhance their performance and gain increased access to financing sources.

In the meantime, events on the world stage—and the coincidences of timing—continue to elevate the importance of corporate governance. Following IFC's initial advisory work as new market-based economies in former Soviet republics came into being, the Enron scandal of the early 2000s brought renewed scrutiny on corporate governance practices in the West. More recently, in the aftermath of the global financial crisis, there has been renewed focus on corporate governance lapses that may have contributed to the meltdown. And now, change is sweeping across the Middle East and North Africa, bringing with it the potential to address corporate governance challenges in ways that can help strengthen economies and expand the private sector.

Such events highlight the fact that there is no real end point to good corporate governance: as market conditions change, as new financial instruments are created, and as technology enables ever-evolving ways of doing business, there will be an on-going need to adapt corporate governance practices—as well as public policies—to keep pace. The project model we have developed is well suited for such a dynamic: within a standardized structure, the content can be altered and adapted to address current and future challenges.

This book is a compilation of our experiences from years of work on corporate governance, and offers SmartLessons on what we have learned. The book provides practical guidance on what to do and what pitfalls to avoid from the people who know the work the best: IFC's corporate governance advisory services staff, who collectively have designed and implemented projects in more than 50 countries and counting since 1992.