

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 March 2017, it was adopted by 35 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. The framework 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

In signing onto the framework, institutions aim to:

- Integrate corporate governance into investment operations
- Ensure internal responsibility
- Provide or procure governance training to their staff
- Collaborate with other signatories
- Report on implementation

THE TOOLKIT

Extensive collaboration among working group members resulted in the creation of the DFI Toolkit on Corporate Governance, launched in 2010. Based on IFC's Corporate Governance Methodology, the toolkit helps 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 toolkit features a corporate governance questionnaire and a corporate governance progression matrix. Also included are instructions on how to use the various toolkit components, a list of key terms, and sample templates.

DUTIES OF THE WORKING GROUP

The working group facilitates the implementation of the CGDF. The group also is the facilitating entity on any future agreements related to cooperation on corporate governance. Group member responsibilities include:

- Organizing an annual conference for signatories to share experiences and foster communication
- Facilitating annual reporting on CGDF implementation progress
- Performing other tasks as determined and assigned by signatories



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. Increased access to capital encourages new investments, boosts economic growth, provides employment opportunities, and contributes to long-term sustainability.

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.



ANNUAL DFI MEETING AND NEXT STEPS

The 12th Annual DFI Corporate Governance Development Framework Conference was held in London, March 20-21, 2018. Hosted by the EBRD and organized by the DFI Working Group on Corporate Governance, the event drew 26 out of the 35 signatory institutions along with more than 60 external guests, representing the highest turnout since the framework's signing in 2011. Nearly 90 percent of CGDF signatories responded to this year's annual questionnaire on implementation progress. Survey results revealed that signatories have adopted more than 80 initiatives to date, including CG tools, action plans, client training, and institutional collaboration.

Highlights included a keynote speech by Eric Vermeulen, a professor of business and financial law at Tilburg University in the Netherlands. In his remarks, Vermeulen detailed the ways in which technology and data have enabled companies to become leaner, as they move more of their operations to cloud-based platforms. Break-out sessions looked at features of the U.K.'s Stewardship Code and the strategies deployed by investment funds such as Aberdeen and Blackrock to improve the governance practices of their client companies. In another session, an expert panel discussed cybersecurity as an emerging governance challenge. To address the risks posed, speakers recommended embedding threat intelligence systems into daily operations and selecting nominee directors who are knowledgeable on cyber issues.

WORKING GROUP EFFORTS

Prior to the conference, the working group took stock of the past year's activities and started a dialogue with asset management funds to gauge their interest in becoming associated with the framework. During the conference, the group held interactive sessions, shared experiences, presented new and updated tools, and discussed implementation challenges. To facilitate future efforts, the group will have three subcommittees, each with a different focus:

- Developing corporate governance guidance for project finance transactions
- Communicating with signatories and maintaining the CGDF website/LinkedIn group
- Organizing the annual conference, slated for spring 2019, to be held at IFC headquarters in Washington, DC.

SELECTED INDICATORS AS OF 2018

- 35 DFIs, including IFC adopted the CGDF. The signatory institutions cover emerging markets around the world, including East Asia and the Pacific, Europe and Central Asia, Latin America and the Caribbean, Middle East and North Africa, South Asia, Sub-Saharan Africa.
- 12 annual meetings held. Last one took place in London in March 2018 and was hosted by EBRD.

WORKING GROUP MEMBERS

It is composed of nine institutions, namely the Asian Development Bank ([ADB](#)), the Black Sea Trade and Development Bank ([BSTDB](#)), the Development Bank of Latin America ([CAF](#)), the CDC Group plc ([CDC](#)), Deutsche Investitions und Entwicklungsgesellschaft mbH ([DEG](#)), the Dutch Development Bank ([FMO](#)), the International Finance Corporation ([IFC](#)), [IDB Invest](#), and [Proparco](#).

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May 2018