

Corporate Governance

South Asia

WHAT WE DO

IFC works with firms to attract and retain investment by promoting the adoption of good corporate governance practices and standards.

HOW WE DO IT

IFC and the World Bank are building on their successful track record with the aim of delivering targeted corporate governance support to more clients and stakeholders for even better results by:

- assessing a firm's corporate governance practices and providing advice on how to improve them;
- providing specialized advisory services on board effectiveness, the control environment and family business governance;
- building capacity of local partners, institutes of directors, media, and educational institutions on corporate governance services, training and reporting;
- working with regulatory institutions and governments to improve corporate governance laws, regulations, codes and listing requirements; and
- raising awareness of corporate governance through conferences, workshops and publications.

PROMOTING CORPORATE GOVERNANCE PRACTICES IN INVESTEE COMPANIES

IFC's Corporate Governance Methodology is a system of evaluating corporate governance risks and opportunities of client companies, applying the relevant set of tools in the areas of commitment to good corporate governance practices, shareholder rights, accountability and the board of directors, the control environment, and disclosure and transparency.

IFC is the first development finance institution to undertake corporate governance analysis of every investment transaction as part of its standard due diligence process. This focused approach has been implemented for many years but formalized as of July 1, 2011. This has helped IFC identify relevant corporate governance risks in our clients and suggest appropriate solutions to address those and take advantage of improvement opportunities.

SOUTH ASIA CORPORATE GOVERNANCE PROGRAM

IFC's South Asia Corporate Governance Program is a five-year initiative to promote corporate governance best practices and standards. With the support of the Japan Ministry of Finance, the program builds on earlier efforts and will help expand markets, attract and retain additional investment, and improve firm-level performance for increased economic growth.



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, and provides employment opportunities.

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. 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.

RAPID RESPONSE TO GROWING CLIENT DEMAND FOR GOVERNANCE ADVICE

As the understanding of the importance of strong board leadership grows in South Asia, demand for board leadership training is increasing as well. To meet this growing demand, IFC offers programs that are geared to various aspects of board participation, including leadership skills and how to manage difficult conversations. In addition to delivering programs ourselves, we are extending our reach by offering training-of-trainer workshops on these programs. The workshops are aimed at developing a pool of qualified local trainers and supporting the efforts of corporate governance institutions that train board directors. Mentoring is an important aspect of the program as well, because the hands-on support helps build trainers' confidence, improving their instructional delivery and increasing the potential for positive results.

To deliver the training-of-trainers workshops, IFC partners with the Indian Institute of Corporate Affairs, the Bangladesh Enterprise Institute and other prominent organizations in the region such as Sri Lankan Institute of Directors, Nepal Bank Training Institute, etc. A centerpiece of the program is a curriculum that is adapted for the local environment and case studies tailored for local markets.

IMPROVING CORPORATE GOVERNANCE IN INDIA

India continues to undergo a period of significant commercial and investment activity marked by an increase in foreign direct investment. The recent passage of the New Companies Act is contributing to this growth and development by introducing international standards for the corporate sector, tailored to the country's reform priorities.

Increased awareness of corporate governance has generated greater demand for IFC's corporate governance advisory services in South Asia. As such IFC is scaling up its efforts in the region. In India, in collaboration with selected partners, IFC is creating opportunities to inform the public about the specifics of the new act and new concepts such as board evaluation and role of independent directors. IFC also supports initiatives for women directors with capacity-building efforts that are helping to increase women's participation on boards. IFC's pool of in-house experts brings to the table global and regional expertise in support of these initiatives.

IFC also provides detailed corporate governance structures and practices assessments for individual client companies. These assessments feature improvement plans to address corporate governance weaknesses, tailored to the specific client needs. They include suggested approaches to prioritize potential changes in five key areas: commitment to good corporate governance, board structure and functioning, control environment, transparency and disclosure, and treatment of shareholders.

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SELECTED REGIONAL RESULTS AND IMPACT ACHIEVED AS OF NOVEMBER 2015:

- 17 family-owned businesses and financial institutions received corporate governance advisory services
- 14 companies raised more than \$48 million in financing, of which \$37 million came from IFC's own accounts, facilitated by improvements in corporate governance.
- 31 public awareness events drew a total of 1248 participants, representing 544 firms.
- 9 "Board Leadership Training of Trainers" events trained 148 participants.
- More than 144 board members and senior executives received training directly through IFC training events; partner institutions or trained trainers facilitated training for an additional 545 executives.
- The Central Bank of Bangladesh adopted four corporate governance provisions recommended by the program as part of the Revised Bank Companies Act 2013.
- The Women's Director Network launched in India, reaching more than 50 women to date.
- IFC SME Toolkit launched in Bangladesh after successful pilot in Sri Lanka's provinces and districts in partnership with Sri Lankan Institute of Directors

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