

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.



One of the sessions at the 10th Annual DFI Meeting in Paris.

SELECTED INDICATORS AS OF JUNE 2016

- 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
- 10 annual meetings held. Last one took place in Paris in April 2016 hosted by PROPARCO.

ANNUAL DFI MEETINGS AND NEXT STEPS

The main objective of the last annual meeting was to show how good governance improves corporate performance. A total of four panels discussed this topic:

The first panel focused on corporate governance codes in Europe. The second panel focused on how a sound corporate governance in Sub-Saharan Africa begets building a governance culture for local businesses. The third panel touched on investment funds and governance. The fourth panel focused on how female directors are gradually rising in number, as they bring unique decision making and consensus building skills.

Participating DFIs also reviewed the implementation progress of the Corporate Governance Development Framework and noted significant developments in efforts and impact.

The following priorities were identified for the 2016/2017 period:

1. **Explore an SME version of the corporate governance tools** to facilitate smaller investments of smaller DFIs.
2. **Examine whether smaller regional chapters should be created** for Europe, Latin America and the Caribbean and Africa with the participation of regional DFI's and larger ones with local presence in those regions.
3. **Open the Framework Agreement to the wider investment community**, and build on existing relationships with specialized governance investment funds and global institutional investors with an interest in governance issues.
4. **Upgrade the cgdevelopmentframework.com website** to make it a key reference point for all CGDF-related initiatives and promote signatory interaction through a dedicated LinkedIn group.

WORKING GROUP MEMBERS

It is composed of eight 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 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](#)).

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