

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, 35 development finance institutions, including IFC, have adopted the framework.

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

CGDF signatories agree to:

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

THE TOOLKIT

In 2010, extensive collaboration among the Working Group members resulted in the launch of the [DFI Toolkit on Corporate Governance](#). 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.

Components of the toolkit include a corporate governance questionnaire and a corporate governance progression matrix. An instruction sheet, 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 among the signatories relating to cooperation on corporate governance.

Specific duties include:

- organizing an annual conference for signatories to share experiences and foster communication
- facilitating the annual reporting about CGDF implementation progress
- performing other tasks as 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 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.



11th Annual DFI Corporate Governance Conference, Lima, Peru.

ANNUAL DFI MEETINGS AND NEXT STEPS

The 11th and most recent annual DFI meeting focused on demonstrating the link between good governance and improved corporate performance. Over the course of several panel discussions, presenters highlighted various aspects of this connection.

Among the topics covered: corporate governance codes in Europe, building a governance culture for local businesses by strengthening corporate governance in Sub-Saharan Africa, and governance for investment funds. A fourth session addressed the importance of gender diversity in the boardroom. With a rising number of female directors at companies around the world, presenters noted that the value of better gender balance on corporate boards is becoming increasingly clear. Women bring to the table strong decision-making and consensus-building skills in addition to their professional qualifications, helping to enhance companies' strategic positioning.

In other meeting sessions, participating DFIs reviewed the implementation progress of the Corporate Governance Development Framework and noted significant developments in efforts and impact.

Together, the group identified several priorities for 2017–2018:

1. **Follow-up on signatories' implementation of the framework** by providing advice, sharing lessons learned and training.
2. **Promote regional cooperation initiatives among signatories** (for example, EDFI and Latin American networks).
3. **Continue joint collaboration** on corporate governance for investment funds.
4. **Explore opening the initiative to non-DFI investment communities.**
5. **Plan and organize** the 2018 Annual CG DFI Conference.



SELECTED INDICATORS AS OF 2017

- 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 and Sub-Saharan Africa.
- 11 annual meetings held. Last one took place in Peru in March 2017 hosted by CAF and COFIDE.

DFI WORKING GROUP

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 International Finance Corporation ([IFC](#)), the Inter-American Investment Corporation ([IIC](#)), the Islamic Development Bank ([IsDB](#)), and the CDC Group plc ([CDC](#)).

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