Doing CG in FCS and Low-Income IDA

The Handbook for IFC Corporate Governance Engagement in Fragile and Conflict-Affected Situations and Low-Income IDA Countries

Overview
OVERVIEW

DOING CG IN FCS AND LOW-INCOME IDA COUNTRIES

The Handbook for IFC Corporate Governance Engagement in Fragile and Conflict-Affected Situations (FCS) and Low-Income International Development Agency (IDA) Countries was developed to provide guidance for IFC staff as they confront the unique challenges of working in these markets and to contribute to the achievement of our development goals.

It provides a framework for corporate governance engagements in FCS and low-income IDA contexts.

The Handbook is intended for internal use only but an external version will be published at a later date. Meantime, we provide an overview for your reference.

Good corporate governance is not a choice, it is a prerequisite for sustainable value and stakeholder capital creation.

A society with an economic stake in peace is less likely to resort or return to conflict - is the fundamental premise behind IFC’s work in fragile conflict-affected and low-income IDA countries.

Engaging where it’s needed most: IFC’s corporate governance strategy in fragile and conflict-affected states and low-income IDA countries

In 2017, 40 countries and territories were identified as fragile or conflict-affected—most of which comprise a subset of the poorest nations that receive assistance through IDA. It is estimated that by the year 2030, more than half of the world’s poor people will live in FCS and low-income IDA countries.

These countries are much poorer, grow more slowly, and have higher population growth rates than other IDA countries—indicating a critical need to tailor assistance to FCS contexts.

What sets FCS and low-income IDA markets apart are the additional obstacles to private sector development: destroyed infrastructure, weakened government institutions, social trauma, and political instability. These challenges translate to poor business environments and investment climates—a major roadblock in the path toward private sector growth.

FCS firms have cited access to power, access to finance, and political instability as the top three barriers to growth. Alleviating such barriers to business growth underpins IFC’s strategy in FCS and low-income IDA countries, with a focus on improving investment climate, increasing access to finance—especially for small businesses—and mobilizing domestic and international investment.

Like many developing nations, these countries need investment to create jobs, spur economic growth,
generate tax revenues, bolster infrastructure, and create a sense of hope for their people. IFC’s approach to FCS markets and low-income IDA countries recognizes both similar challenges such markets face and their differences related to economy profiles and sizes, strength of state institutions, regional representation, types of challenges which preceded IFC interventions.

WHY CORPORATE GOVERNANCE?

Of all the critical needs facing countries dealing with fragility, violence, or conflict, corporate governance wouldn’t seem to top the priority list. In fact, the opposite is true. Corporate governance is a foundational aspect of rebuilding fractured economies.

Good corporate governance helps individual businesses weather the difficulties and emerge even stronger. It gives governments the tools to strengthen their legal, regulatory, and financial infrastructure. These efforts can jump-start market recovery, enabling new investment, economic growth, and job creation. They also contribute to the overarching goals of stabilizing the political environment and restoring a sense of normalcy for society at large.

Promoting and adopting good governance practices in FCS and low-income IDA environments plays an integral role in bringing about a broader shift in corporate and business culture. For investors, better corporate governance mitigates the heightened risks associated with FCS investments. For the benefits of good governance to take root, a holistic approach is needed, involving the government, its institutions, and the private sector, all acting in concert.