

Role of Corporate Governance in Promoting Integrity and Growth

In most Forum client countries, the micro, small, and medium (MSME) enterprises represent 90 percent of all private sector firms, account for 40 to 50 percent of national GDP, and generate most of the jobs.

Following the financial crisis, access to working capital for MSMEs became more difficult, preventing enterprises from expanding and growing their businesses.

To restore confidence and trust in the financial system, banks must be well-run, buttressed by credible corporate governance practices. This fundamental step will help revitalize the MSME's in transitional economies and developing countries.

As Martin Gruell from Raiffeisen International put it: "No transparency, no trust; no trust, no credit; no credit, no investment; no investment, no growth! There is a simple logic: corporate governance and financial reporting are an essential building block for financial intermediation, foreign investment, and sustainable economic development."

Hence, it pays to promote corporate governance. A March 2009 study by Governance Metrics International (GMI) concluded that well-governed companies are faring better in the current economic downturn. Out of a sample size of 4,200 companies rated by GMI, only 90 companies exhibited consistent high corporate governance standards over 12 quarterly rating cycles, and these 90 companies outperformed their market capitalization peers by 23 percent in shareholder returns.

The Forum's responses are designed to help build the capacity of institutions to lead corporate governance reforms in their countries. A key activity is building or enhancing these institutions' capacity to deliver high-quality training and guidance to boards and directors, and to develop such services as mediation of corporate governance disputes to facilitate a productive business climate.

"The Forum is particularly adept at providing the right approaches that match the business and cultural environment in which they work, using their network of private sector business leaders. They help foster ownership of corporate governance and deliver programs in the business language of the countries they support."

Aude Flogny-Catrisse

Head, Financial Sector and Private Sector Development
Agence Française de Développement (AFD)

Building on Proven Success

Between fiscal years 2006 and 2010, the Forum:

- Conducted 280 learning events, which reached close to 2,600 participants worldwide, with women accounting for 45 percent of total participation in 2009. Satisfaction with Forum events was widespread, with participants typically "satisfied" or "highly satisfied"
- Assisted more than 70 countries with IDA countries' participation exceeding 40 percent
- Helped countries to develop 43 codes of corporate governance
- Supported activities of 47 director and corporate governance associations
- Executed comprehensive reviews that examined such criteria as urgency, capacity, client demand, and, where appropriate, recommendations from the World Bank's *Corporate Governance Report on the Observance of Standards and Codes* (ROSC)
- Increased the number and variety of publications, such as the *Lessons Learned* series, and translated publications into several languages

ABOUT THE FORUM

The Global Corporate Governance Forum is the leading knowledge and capacity building platform dedicated to corporate governance reform in emerging markets and developing countries. The Forum offers a unique collection of expertise, experiences, and solutions to key corporate governance issues from developed and developing countries.

The Forum's mandate is to promote the private sector as an engine of growth, reduce the vulnerability of developing and emerging markets to financial crisis, and provide incentives for corporations to invest and perform efficiently in a transparent, sustainable, and socially responsible manner. In doing so, the Forum partners with international, regional, and local institutions, drawing on its network of global private-sector leaders.

The Forum is a multi-donor trust fund facility located within the IFC, co-founded in 1999 by the World Bank and the Organization for Economic Cooperation and Development (OECD).

OUR DONOR PARTNERS



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Global Corporate Governance Forum

Better Companies, Better Societies

"The Forum's achievements have been considerable, deeply appreciated, and widely recognized. Many have expressed with passion their belief in the value of the Forum's work."

Independent Evaluation Report 2010



Global
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“At a moment when economies worldwide must focus on restoring trust, the Forum is indispensable as a resource for tools, advice, and expertise custom-fit for corporate governance conditions in emerging markets. No other body plays that role. If the Forum didn’t exist, countries would have to invent something like it—but by spending more, duplicating, and getting outputs far less remarkable than those produced by the Forum’s world class staff.”

Stephen Davis

Senior Fellow

Millstein Center for Corporate Governance and Performance

Yale School of Management

Leading the Way with Expertise and Innovation

The Forum is dedicated to advancing corporate governance in emerging-market and developing countries by creating and disseminating practical tools that provide expert guidance on corporate governance and its implementation.

These efforts promote the private sector as the driver of economic growth and encourage corporations to invest and act in a sustainable, socially responsible manner:

- Companies adhering to corporate governance best practices tend to attract investors’ capital and perform better than poorly governed businesses
- Well-run companies fuel innovation, entrepreneurship, and job creation, which creates opportunities for the poor to participate in the economy

Much of the Forum’s success lies in its unmatched ability to forge productive partnerships and utilize top-level expertise. The European Bank for Reconstruction and Development (EBRD) and the Forum, for example, are leading efforts to strengthen corporate governance of banks in Southeast Europe.

“With the Forum, we have found a natural partner in our efforts to broaden and deepen corporate governance in the countries we serve,” said Gian Piero Cigna, senior counsel with EBRD.

Through its Private Sector Advisory Group, the Forum involves some 75 international leaders who volunteer their time and expertise. Drawn from all regions, PSAG members include board directors, senior executives, investors, lawyers, accountants, and financial journalists.

To meet growing demand for its assistance, the Forum has embarked on Phase Three, a five-year strategy (fiscal years 2011 – 2015) to strengthen its global Knowledge Management Platform through:

- Introducing cutting-edge knowledge products to provide implementation guidance for international best practices in corporate governance
- Building the capacity of corporate governance centers that will distribute and apply the Forum’s knowledge products locally and regionally while supporting South-South collaboration
- Developing a monitoring and evaluation mechanism to ensure that the Forum’s knowledge products remain relevant to the beneficiaries’ changing needs



Toolkits that Teach and Deliver

The Forum’s toolkits distill practical experience from developed and developing countries to guide the implementation of director training organizations, corporate governance codes, the training of board directors to lead corporate governance reforms in their companies, and the use of alternative dispute resolution approaches by boards.

Programs that Build Leadership

Corporate Governance Codes and Scorecards

With Toolkit 2 (*Developing Codes of Best Practice*) as the foundation of these initiatives, the Forum has supported scores of countries in drafting, implementing, and monitoring corporate governance codes and scorecards.

Corporate Governance Board Leadership Training

With the assistance of Institutes of Directors and other organizations, the Forum is training trainers to help board directors become “change agents” within their organizations for the adoption of corporate governance best practices. One key element of this program is the Financial Markets Recovery Project, which is designed to equip bank boards to lead with integrity, develop the right skills for exercising oversight, and manage risks with informed judgement.

Media Training Program on Corporate Governance Reporting

In partnership with Thomson Reuters Foundation and Agence France Presse, the Forum trains financial journalists to improve their coverage of corporate governance. By broadening awareness through their reporting, the journalists help promote corporate governance best practices.

Emerging Markets Research Network

The Forum supports a network of leading academics, who generate high-priority research on corporate governance issues relevant to emerging markets and developing countries.

Publications that Inform and Influence

Focus:

What the experts recommend

This thought-provoking series takes an in-depth look at critical issues.

Private Sector Opinion:

What the practitioners think

Leaders in business and academia examine corporate governance issues from a private-sector perspective.

Lessons Learned:

What the Forum has learned

PSAG members, Forum staff, and others share lessons that benefit organizations taking part in Forum initiatives or independently engaging in similar work.