

OUR MISSION:

Established in 1999, the Global Corporate Governance Forum is an IFC multi-donor trust fund facility located in the Corporate Governance and Capital Market Advisory Department. Through its activities, the Forum aims to promote the private sector as an engine of growth, reduce the vulnerability of developing and transition economies to financial crises, and provide incentives to corporations to invest and perform efficiently in a socially responsible manner.

The Forum sponsors regional and local initiatives that address the corporate governance weaknesses of middle- and low-income countries in the context of broader national or regional economic reform programs.

OUR FOCUS:

- Raising awareness, building consensus
- Disseminating best practices
- Sponsoring research
- Funding technical assistance and capacity-building

OUR DONORS:

- Canada
- France
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- Sweden
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- International Finance Corporation

OUR FOUNDERS:

- World Bank
- Organization for Economic Cooperation and Development



Global Corporate Governance Forum

Better Companies, Better Societies

Forum workshops are helping countries in the Middle East and North Africa draft and implement corporate governance codes. ■ Work progresses to complete the Board Development Resource Kit during fiscal year 2008; the initiative will help strengthen director-training programs worldwide. ■ International experts gathered at a workshop to examine co-operatives and their corporate governance needs. These discussions will guide the Forum in developing a toolkit specifically for co-operatives. ■ Exploratory work continues to broaden use of alternative dispute resolution mechanisms in corporate governance. Initial findings will be discussed at a fall meeting in Sarajevo. ■ In cooperation with the Reuters Foundation, the Forum is organizing workshops for journalists to strengthen their understanding of corporate governance issues and financial reporting. ■ The Forum and its partners will select more than 30 research papers to support conference deliberations on corporate governance issues in emerging markets. ■ Two *Focus* publications near completion: the first examines the success of Brazil's Novo Mercado and the second explores takeovers and tender offers in Chile and Panama. ■ The Forum is working with the World Bank and the IFC South Asia offices to establish objectives and coordinate corporate governance initiatives in that region. ■ Development finance organizations in southern Africa are working with stakeholders on corporate governance reforms. ■ The Forum finalized a work program for FY 2008 to meet rising demand for its expertise and activities from developing and emerging market countries.

Fiscal 2008 Program

Expanding Activities As Forum's Recognition, Value Grows

The Forum increasingly serves as the catalyst for reform efforts, leveraging its networks, expertise, and partnerships to ensure long-term sustainability for its projects. Its work is escalating to meet growing demands from developing and emerging market countries as the Forum becomes more widely known and valued.

Fiscal 2007 marked a shift from awareness-raising initiatives to a rapidly expanding role in meeting technical assistance requests, anchored upon the Forum's practical tools for reform.

With an increased emphasis on advisory services and programs to strengthen boards' corporate governance capabilities, the Forum's FY08 strategy will include:

- Broadening the Forum's work, particularly by developing new tools and programs
- Supporting growth in activities by increasing co-funding opportunities and implementing innovative solutions
- Emphasizing both monitoring and evaluation to validate key projects and ascertain lessons applicable for the Forum and its partners' work

The FY08 activities have four key thrusts:

Implementing Existing Tools

- *Develop director training institutional capacity* in the Middle East and North Africa (MENA), the Balkans, and Central America
- *Support the development of national corporate governance codes* in The Maldives, Algeria, Morocco, and other countries

Developing New Tools

- *Board Development Resource Kit*—roll-out plans for India, Kenya, Mauritius, and other countries
- *Capacity Building Tools for Journalists*—in partnership with the Reuters Foundation, workshops are planned for Southeast Europe, the MENA region, and East Africa
- *Corporate Governance and Disputes Mediation Toolkit*—building on IFC's expertise in the field of commercial disputes resolution

- *Corporate Governance and Co-operatives Toolkit*—three regional workshops are planned to collect and validate best practices

Supporting Policy Reform Efforts

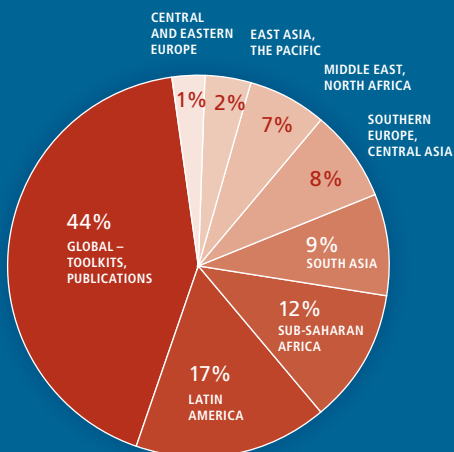
- A range of *targeted initiatives* to support corporate governance reforms in Mexico, Peru, India, and the Philippines
- Providing technical support to *World Bank Corporate Governance ROSCs and policy implementation* in Bosnia, Croatia, Malawi, Senegal, and Zambia

Supporting Research, Dissemination of Best Practices

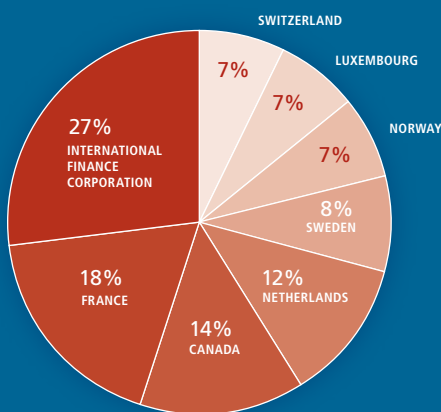
- Completing an *academic conference* on emerging markets research in November 2007, and initiating the next phase of research that will flow into FY09
- Providing targeted input to OECD work in MENA and Latin America
- Supporting the participation of developing countries in the international consultation on the OECD Guidelines on Corporate Governance of State-Owned Enterprises
- Convening a meeting on EU corporate governance directives and best practices for the benefit of new EU countries and those being considered for accession
- Publishing research and analysis in the *Focus* publications series, continuing translation of materials into the working language of client countries, and issuing the next series of *Private Sector Opinions*

FINANCIAL SUMMARY

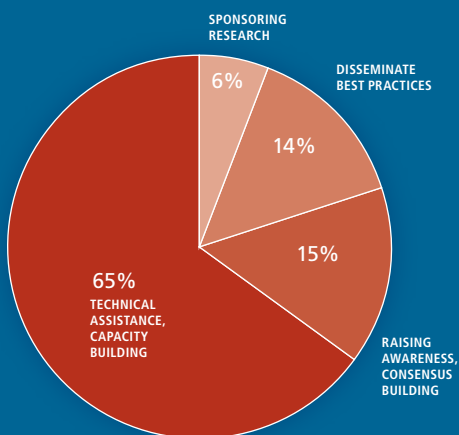
Funds Allocated by Region



Sources of Funds



Funds Allocated by Activity



“Corporate governance is not about quick fixes. It requires deliberate, long-term solutions that will draw on considerable resources, financially and physically. Given the response this year to some of the Forum's work, we are encouraged that the Forum remains relevant and has an important role worldwide.”

PETER DEY
CHAIRMAN, PRIVATE SECTOR ADVISORY GROUP

New Initiatives: Director Development, Implementing Codes, Dispute Resolution

Board Development Resource Kit

Targeted for completion in mid-FY08, this “course in a box” will provide trainers with lectures, case studies, and exercises to develop directors’ boardroom skills. The program will emphasize discussion and interaction, encouraging directors to share and discuss their own experiences. Trainers will hone their use of adult-learning techniques. This initiative demonstrates the Forum’s increased emphasis on director trainers to facilitate director development across a broad spectrum of critical issues that typically confront boards.

Implementing Corporate Governance in the Middle East, North Africa

Working with IFC PEP MENA, the Forum has led workshops in the region to develop corporate governance codes in partnership with international specialists and the Forum’s private-sector advisers. This effort culminated in the third, and final, workshop in Morocco in June 2007. The response has been extraordinarily encouraging, with 12 countries developing and implementing corporate governance codes.

“Practical, informative, high-caliber experts, well-run. The ability to share experiences and build relationships at the workshop was particularly valuable.”

PARTICIPANT
MOROCCO WORKSHOP, JUNE 2007



Effective Dispute Resolution Strengthens Corporate Governance

A board’s ability to solve as much as prevent internal and external disputes can contribute to improving investor confidence and the company’s performance in the best interests of all stakeholders. Alternative dispute resolution (ADR) mechanisms—such as negotiation, mediation, and arbitration—are important tools to help implement and enforce good corporate governance practices and ensure efficient, effective, and expeditious resolution of disputes.

Effective, non-adjudicative solutions can:

- Reinforce good corporate governance practices in weak enforcement environments

- Provide forums to resolve disputes undermining corporate performance
- Prevent boardroom conflicts that may slow or obstruct board decision-making
- Assist stock exchanges in settling disputes arising from listing rules, corporate governance codes, and other requirements

The Forum has conducted exploratory research into these approaches—especially mediation—and their potential benefits. Building on existing research and findings from a workshop of experts and practitioners held in February 2007, a working paper (“Dealing with Corporate Governance Disputes: Is Mediation an Option?”) will be published in September as part of the Forum’s *Focus* series.

AHEAD

Field Tests in Mauritius, Other Countries

The first trial-run of the Board Development Resource Kit is scheduled for August in Mauritius for the newly established Institute of Directors. Further roll-outs are planned for India, Kenya, and elsewhere.

Supporting Code Development in Morocco, Algeria

Building on the June workshop’s success, the Forum will continue to support countries in the MENA region that are developing their codes. The Forum has appointed an expert to provide technical advice to the Moroccan Corporate Governance Commission. It also is expecting to help Algeria develop a corporate governance code with a focus on state-owned companies.

Collecting Practical Examples

With the support of an international network of experts and practitioners, the Forum will be collecting empirical data and best practices. These will be used in developing a new toolkit on ADR and corporate governance. As a first step, the Forum will organize a workshop in Sarajevo (September 25) in cooperation with the IFC Small and Medium Enterprise Department and the Southeast Europe Private Enterprise Partnership to review practical examples and the “lessons learned.”

“Your proposed toolkit for alternative dispute resolution promises to be ground-breaking. There is a tremendous need for this, and I am very enthusiastic about the Forum’s leadership in this regard. It is good governance to be in a position to resolve disputes efficiently and effectively, thereby preserving relationships.”

MERVYN KING
CHAIRMAN, KING COMMITTEE ON CORPORATE
GOVERNANCE, SOUTH AFRICA
MEMBER, PRIVATE SECTOR ADVISORY GROUP

Activities in Latin America, Asia, Southeast Europe

Establishing Director Training Institutions

With several institutions in Latin America, the Forum is supporting director training and corporate governance advocacy, including the Center for Corporate Governance Excellence in Mexico, ProCapitales in Peru, Confemecaras in Colombia, and the Brazilian Institute of Corporate Governance. These institutions will assist with Forum projects slated for Central America, including the establishment of an Institute of Directors in Panama in FY08.

Latin American Companies Circle

In FY07, the Forum continued to actively support the region's Companies Circle (LACC), an offspring of the Latin American Corporate Governance Roundtable that the IFC leads with the OECD. To channel private sector views into the roundtable's work, the Circle brings together Latin American companies, which have adopted good corporate governance practices.

“Being part of the Forum has given us access to a worldwide network of high-level experts that help us to succeed. Through the Forum, we are demonstrating how Latin American companies have become competitive in a global economy through corporate governance reforms.”

JORGE FABRE,
FOUNDER OF THE
CENTER FOR EXCELLENCE
IN CORPORATE
GOVERNANCE IN MEXICO
DEAN, ANAHUAC UNIVERSITY
SCHOOL OF BUSINESS

Initiatives in Southeast Asia for 2008

The Forum envisages providing technical support in four areas:

- design and development of a director-training curriculum;
- capacity development for journalists with the Reuters Foundation;
- drawing on PSAG members to provide expertise on corporate governance from institutional investors' perspective; and,
- applying the ongoing research and analysis by Texas University Professor Bernard Black on the application of internationally accepted standards of corporate governance in India and the potential benefits.

CEOs, CFOs, and other senior executives of the participating companies have agreed on a plan to showcase how leading Latin American companies can implement good corporate governance practices and the resulting benefits.

The Circle's work includes the highly acclaimed publication of the second edition of case studies, which outline the motivations, challenges, and solutions for implementing corporate governance reforms in companies and the resulting impact.

Peru: Corporate Governance from Reporting to Practice

Working with the local business organization ProCapitales and the IFC office in Peru, the Forum is helping to launch a campaign to raise awareness about the challenges and benefits to Peruvian companies and their investors for corporate governance and disclosure practices. The goal: understanding the practices behind the numbers and text entries in companies' annual reports.

The Maldives

Building on its prior work in expanding the visibility of a corporate governance code and supporting its implementation, the Forum is providing technical advice to the Capital Market Development Authority.

The Philippines

The Institute of Corporate Directors has developed a corporate governance scorecard, which has been used since 2005 to gauge companies' governance performance. The World Bank has identified this scorecard as an example of an effective initiative by a private sector organization to implement corporate governance reforms. The Forum will evaluate this scorecard with a view toward assisting the institute in developing a second-generation version for use in the Philippines and other countries.

AHEAD

Partnering with Reuters Foundation to Train Journalists

In June, the Forum signed a Memorandum of Understanding with the Reuters Foundation to cooperate in training journalists about corporate governance.

“The media's role in raising public awareness of corporate governance issues is increasingly recognized as a critical element in the fostering and implementation of good corporate governance principles worldwide,” said Teresa Barger, Director, IFC/World Bank Corporate Governance and Capital Market Advisory Department. “The media is a key agent in building general support for good corporate governance, in disseminating information regarding better corporate governance practices, and in supporting market enforcement.”

The partnership will build on the Reuters Foundation's proficiency in training journalists and the Forum's expertise and access to a global network of corporate governance experts and practitioners.

The project will have two parts. The first will be a series of practical workshops involving presentations, case studies, exercises, and interactive discussions with corporate governance stakeholders and institutions. The second will include a series of publications that emphasize practical tools and the “lessons learned.”

Corporate Governance Workshop for Southeast European Journalists

A workshop for financial journalists is scheduled to be held in Belgrade on October 22-26. Additional five-day, interactive workshops are scheduled for participants from the Middle East and North Africa (November in Cairo). Similar training sessions will be held for journalists from West African countries in late FY08.

Southern Africa's Experiences, Forum Calendar

Strengthening Development Institutions in Southern Africa

By Dr. Rosalind H. Thomas

Director for NEPAD, Regional Integration and Trade, African Development Bank

Development finance institutions (DFI) in Southern Africa are growing stronger as they advance national and regional initiatives.

These institutions had been discredited and marginalized for being non-effective instruments of development as a result of poor financial performance in the 1980s and 1990s. Inexcusable corporate governance practices—characterized by political interference in managerial and board appointments and misappropriation of resources through directed credit—are cited as major contributors to this malaise.

Good governance practices now require a considerable diminution of a government's

ownership role for a business to operate more efficiently. Many members of the Southern African Development Community – Development Finance Resource Centre embrace this strategy.

Given the continued need for DFIs to be active in development (in the absence of other credible players), and at the direction of the Finance Ministers, the center's activities seek to restore the credibility of DFIs. These institutions must become creditworthy and effective in raising much-needed, long-term financial resources from domestic and international capital markets for investment in infrastructure, small and medium-size enterprises, agribusiness, and other areas. These sectors are critical for Africa's sustained development.

To this end, good corporate governance policies aligned to international best practices, as actively promoted by the Forum, are an integral and inseparable

part of the center's activities and necessary to strengthen DFIs. Corporate governance has been recognized by Southern African governments (ministries of finance and central banks) as being indispensable for a sound, regional financial system.

Our center's activities include the development of a "Credit Rating Methodology," which will evaluate regional financial systems against an international ratings benchmark. This system will enable financial institutions to adopt the disciplines associated with high ratings and eventually enable them to migrate to the more demanding international standards. Successful credit ratings require sound, measurable corporate governance systems and processes.

[Learn more](#)

www.sadc-dfrc.org

FORUM CALENDAR

July

3: Fifth Morocco Corporate Governance Code Task Force meeting, Rabat

4 – 6: 12th Annual Conference of the International Corporate Governance Network, Cape Town

August

16: Corporate Governance Practices – Awards Ceremony, Lima

22 – 23: Corporate Governance Code Awareness Raising and Program Development, The Maldives

20 – 29: Training of Trainers, Institute of Directors, Mauritius

September

4: Sixth Morocco Corporate Governance Code Task Force Meeting, Casablanca

19: Bulgarian Corporate Governance Task Force meeting: Consultation Feedback, Sofia

19 – 21: SADC-DFRC Pilot Workshop for Directors, Johannesburg

25 – 28: SADC-DFRC Pilot Workshop for Trainers, Johannesburg.

25: Corporate Governance and Mediation in Southeast Europe, Sarajevo

October

9: LACC Meeting with Companies Based in Columbia, Medellin

9: Launch of Bulgarian Corporate Governance Code, Sofia

10 – 11: Latin American Roundtable, Medellin

22 – 26: Corporate Governance Media Capacity Building Workshop, Belgrade

November

8: Asian Business Dialogue on Corporate Governance, Tokyo

15 – 17: Academic Network Conference: Corporate Governance in Emerging Markets, Istanbul

19: MENA Regional Annual Corporate Governance Meeting, Dubai

20: MENA Banks Policy Task Force Meeting, Dubai

20: OECD Preparatory Meeting of Corporate Governance-SOE Task Force, Dubai

TBD: Corporate Governance Media Capacity Building Workshop, Cairo

December

TBD: Experts Workshop on Corporate Governance and Corruption, Paris



Sharing Practical Solutions, Meeting Co-operatives' Needs

PSAG Practitioners Panel to Support Research Network

The Global Corporate Governance Forum's Private Sector Advisory Group (PSAG) brings together some of the world's most prominent experts on corporate governance. Advisors volunteer their time and expertise to help implement better corporate governance practices in developing and transition countries.

PSAG members will provide insight to a research network of some of the world's leading academics and researchers, and help assess its relevance and application to the private sector.

As part of this initiative, the Forum leverages scarce resources through collaboration and cooperation with institutions focused on research in emerging markets.

Corporate Governance and Co-operatives

With the increasing recognition that corporate governance is critical for sustainable economic growth, the Forum and the Center for International Private Enterprise organized a Peer Review Workshop in London in February 2007. Participants worked to build consensus on the corporate governance priorities and technical assistance needs of co-operatives in developing countries.

According to International Co-operative Alliance estimates, 1.1-billion people belong to co-operatives. Their economic

Private Sector Experts: A Key Forum Resource

The Global Corporate Governance Forum's Private Sector Advisory Group (PSAG) brings together more than 60 of the world's most prominent experts on corporate governance. Business leaders, lawyers, investors, and other professionals volunteer their time and expertise pro bono to help implement better corporate governance practices in developing and transition countries.

The high profile of the PSAG members helps the Forum actively raise awareness on corporate governance issues and efficiently advise professional organizations, regulators, and policymakers who are proactively reforming corporate governance practices in their countries.

AHEAD

International Academic Conference on Corporate Governance in Emerging Markets

This conference will bring together researchers to investigate the impact of corporate governance on the performance and economic development of emerging markets' firms. The sessions will also cover the roles of legal, economic, and political institutions in determining corporate governance systems. The Forum and the Asian Institute of Corporate Governance chose more than 30 papers drawn from academics in emerging market countries. The papers will support panel discussions involving private-sector representatives.

Focus: Novo Mercado

This issue of *Focus* explores the reasons for Novo Mercado's success in ushering in corporate governance reforms with a case study written by Maria Helena Santana, commissioner with the Brazilian Securities and Exchange Commission.

activity, according to the United Nations, employs 100-million people, which accounts for 20 percent more jobs than all of those with the world's multinationals combined. The values of a co-operative are based on self-help, self-responsibility, democracy, equality, equity, and solidarity.

Co-operatives are gaining recognition as key actors in reducing poverty and achieving the UN Millennium Development Goals. The workshop's discussions centered on three themes: creating an enabling environment; building capacity; and, reviving and renewing co-operatives in developing countries.

Petra Alexandru, executive manager of the Bucharest Stock Exchange, examines how Romania developed a "Transparency Plus Tier" for its exchange. Melsa Ararat, of the Corporate Governance Forum of Turkey and a professor at Sabanci University, and B. Burcin Yurtoglu, with Vienna University, provide insights into a corporate governance rating-based index launched by the Istanbul Stock Exchange.

Focus: Tender Offers and Takeovers in Chile and Panama

Another issue of *Focus* will explore takeovers and tender offers and their impact on corporate governance reforms in Chile and Panama. These case studies offer paradoxical views and experiences of how market insiders, the media, shareholders, policymakers, regulators, the judiciary, and other stakeholders have had an impact on the success or failure of corporate governance reforms.

Recommendations to help co-operatives realize their potential included: educating the public and policy makers; documenting and disseminating best practices; creating an enabling regulatory environment; and, reinvigorating co-operative values and principles in the new economy. This support must go hand-in-hand with technical assistance and practical toolkits that co-operatives can use to improve sustainability and competitiveness as private sector enterprises.

With this counsel, the Forum is working with its partners on several fronts to meet co-operatives' corporate governance needs.

SECRETARIAT

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