

Update on the Framework's Implementation Progress



Enzo Gregori – ADB

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Agenda

- Background
- Corporate Governance Development Framework
- Signatories' implementation since September 2011
- Conclusions & issues to consider





Background: Our main events

- Paris, June 2004, hosted by [IFC](#)
Introduction & sharing of the IFC CG Methodology
- Amsterdam, March 2007, hosted by [FMO & IFC](#)
DFIs CG Approach Statement & CG Working Group
- Tunis, October 2008, hosted by [AfDB](#)
Strengthening CG collaboration among DFIs
- Rio de Janeiro, November 2009, hosted by [CAF](#)
Implementation assessment and agreement on creating common CG tools
- Jeddah, January 2011, hosted by [IsDB](#)
Introduction of the DFI Toolkit on CG
- Washington DC, September 2011, hosted by [IFC](#)
Signature of the CG Development Framework by 29 DFIs
- Cologne, February 2012, hosted by [DEG](#)
Introduction of the CG Development Framework
- Manila, February 2013, hosted by [ADB](#)
Implementation of the CG Development Framework
- Washington, DC, March 2014, hosted by [IIC](#) and [IFC](#)
Follow up on the implementation of the CG Development Framework



CG Working Group

Members:

- ADB- Enzo Gregori
- BSTDB- Vassilis Christakis
- CAF- Michael Penfold & Andres Oneto
- CDC- Barry Lawson
- DEG- Anne Keppler
- EBRD- Gian Piero Cigna & Sarah McKernan
- FMO- Martin Steindl
- IFC- Sanaa Abouzaid & Darrin Hartzler
- IIC – Rebeca Sanchez de Tagle
- IsDB- Ababacar Gaye





CG Development Framework

5 key components:

- Integrating CG analysis in investment operations
- Ensuring internal responsibility
- Providing or procuring training
- Collaborating with other signatories
- Reporting on implementation

Methodology for updating

- Questionnaire sent to all 31 signatories of which 26 responded.
- Analyzed the received information and made an approximate evaluation of the implementation of the Framework since signing.

Questionnaire feedback

- *One size/type questionnaire does not fit all.*
- *Portfolio information difficult to obtain in Q1 of the year.*



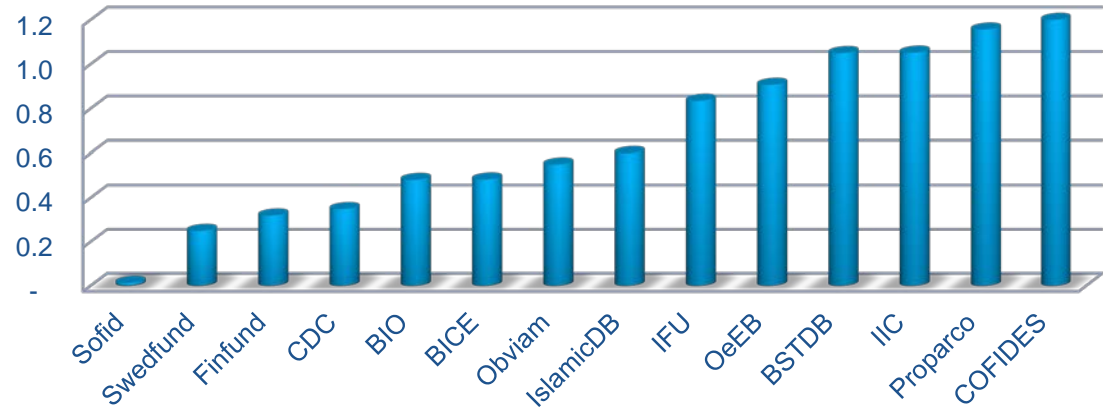


1. Distribution of investments

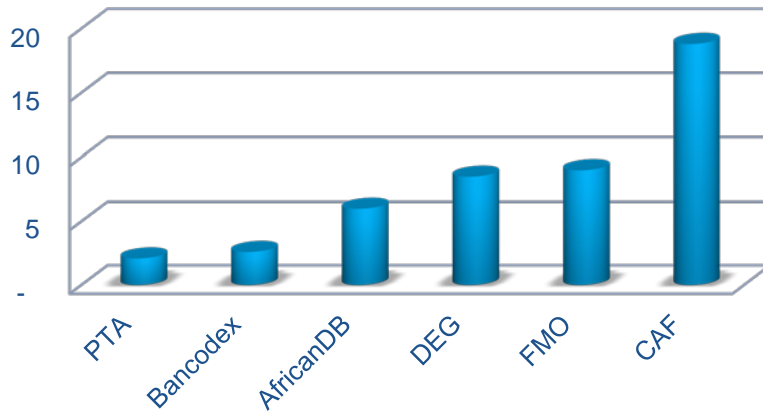
Portfolio size.

- Which cluster is your institution?
- Who else is in your cluster?

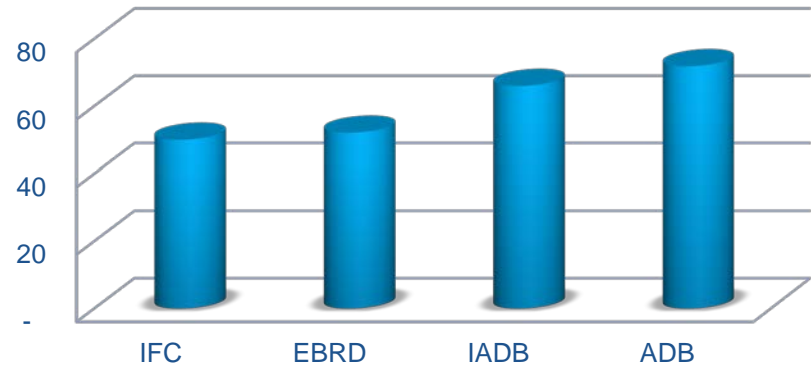
Small < US\$ 1.2bn



Medium US\$1.2bn to 20bn



Large > US\$20bn





1. Distribution of investments

Public vs. Private

15%: African DB, EIB, BST&DB, IADB and ADB all PUBLIC dominated.

5%: CAF & PTA are balanced between.

80%: The remainder are predominantly PRIVATE.

Geographic and Sector distribution

Almost all DFIs are multiregional and multi sector and minimally all have considerable overlaps.

This means there is much opportunity for collaboration.

Product distribution

The vast majority of all activity is debt.

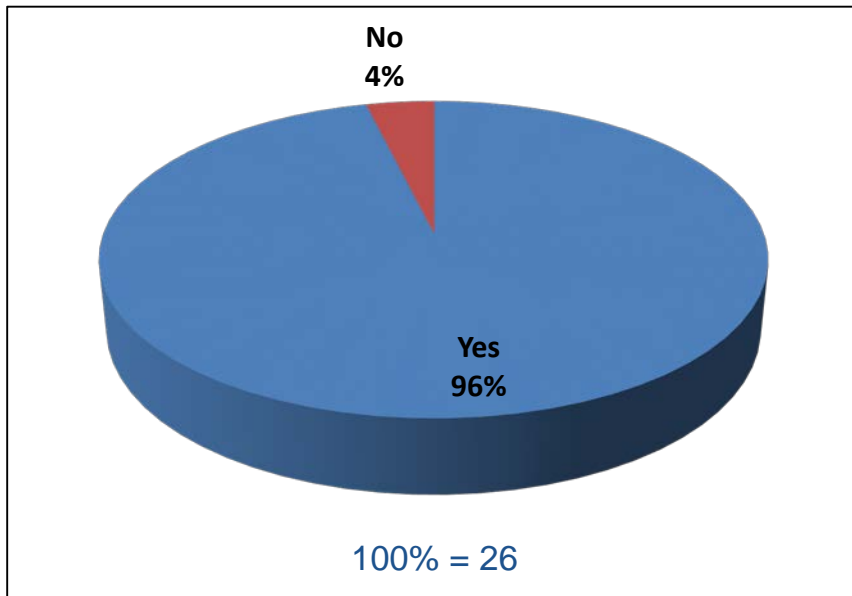
What does this mean for (a) training, (b) due diligence, (c) methodology and toolkit?



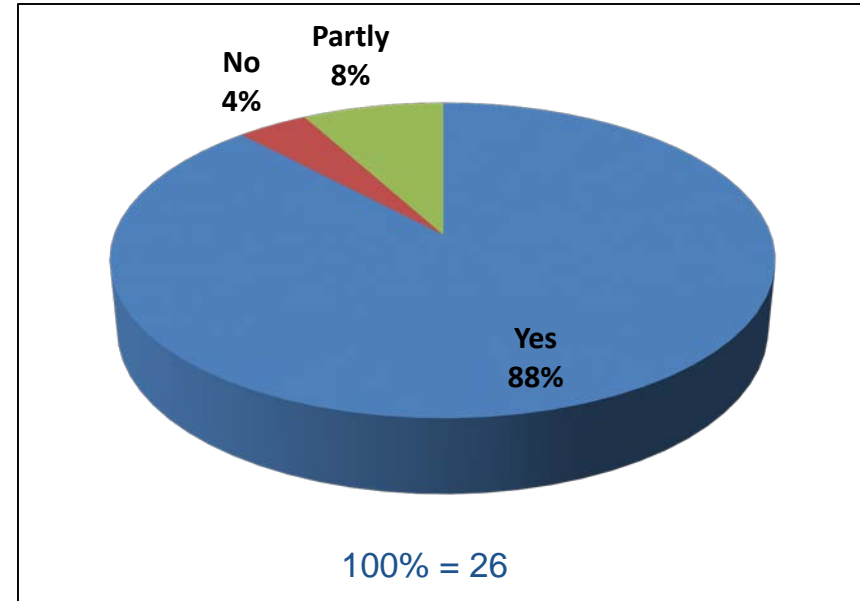


2. Integrating CG in Investment Operations

2-1. Does your organization have CG procedures and tools?



if YES, are they in line with the CG Framework Methodology?



Most of the signatories have CG procedures and tools, in line with the Framework's Methodology

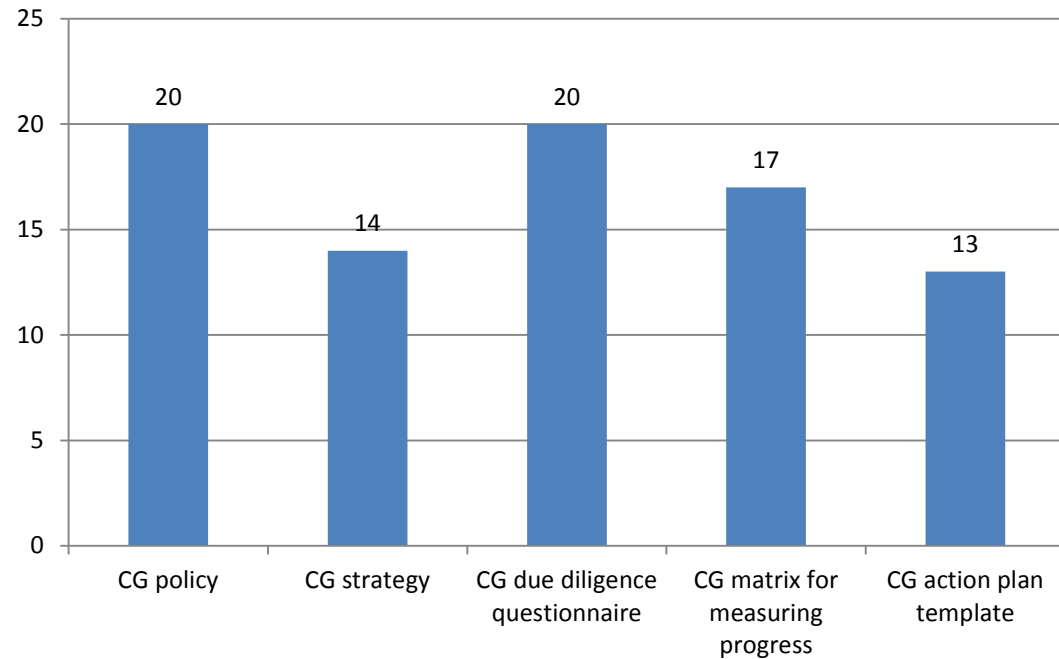




2. Integrating CG in Investment Operations

2.2 Does your institution have:

- Most of them have a CG Policy and a CG due diligence questionnaire
- CG strategy and a CG action plan template are the least used

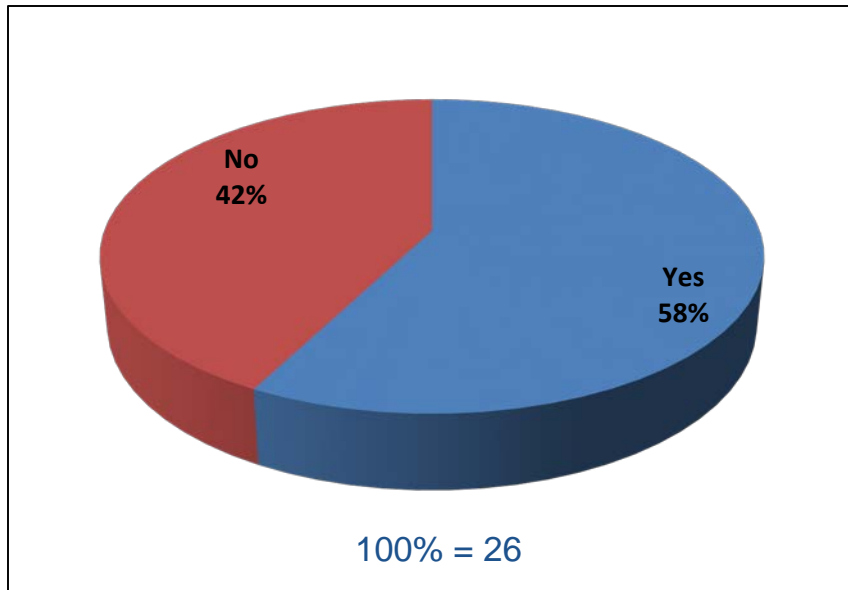




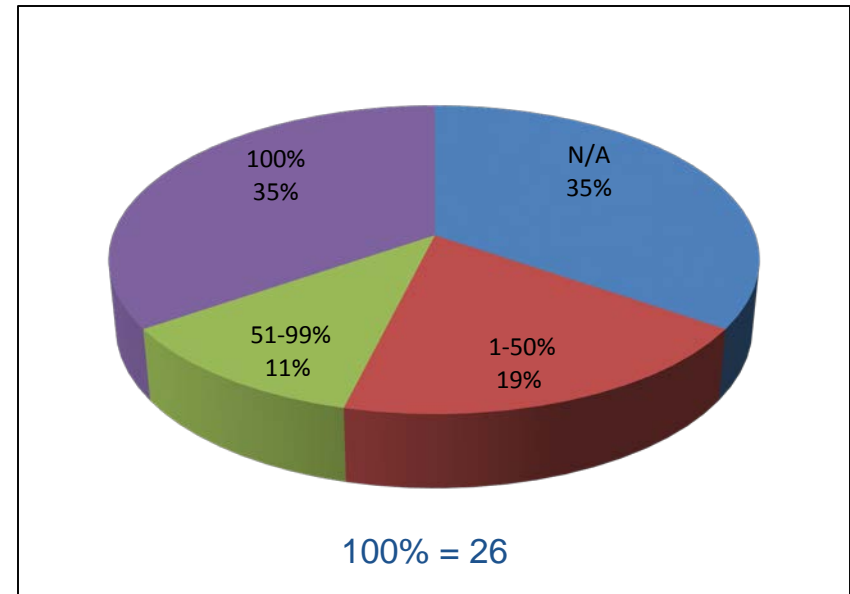
2. Integrating CG in Investment Operations

2.3 CG due diligence:

Is CG due diligence compulsory for deals?



% of deals that entered the 2013 Portfolio and had CG due diligence assessments



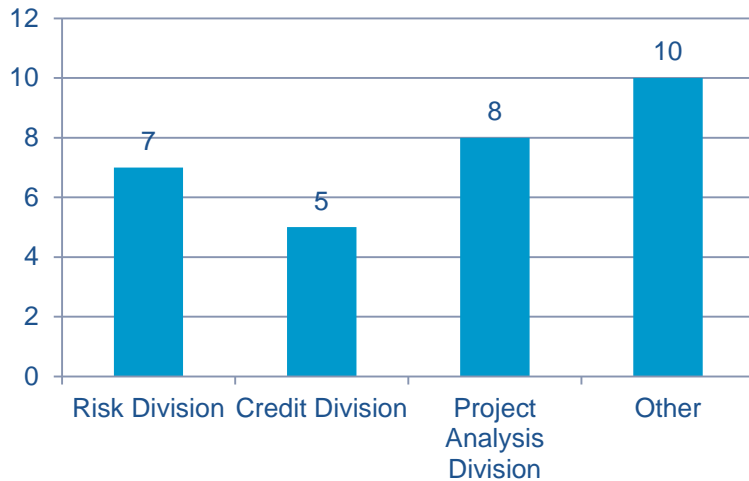
Almost 60% of DFIs indicate that CG due diligence is compulsory for all deals, but less than 35% of DFIS confirm that all their 2013 portfolio deals had CG due diligence assessments





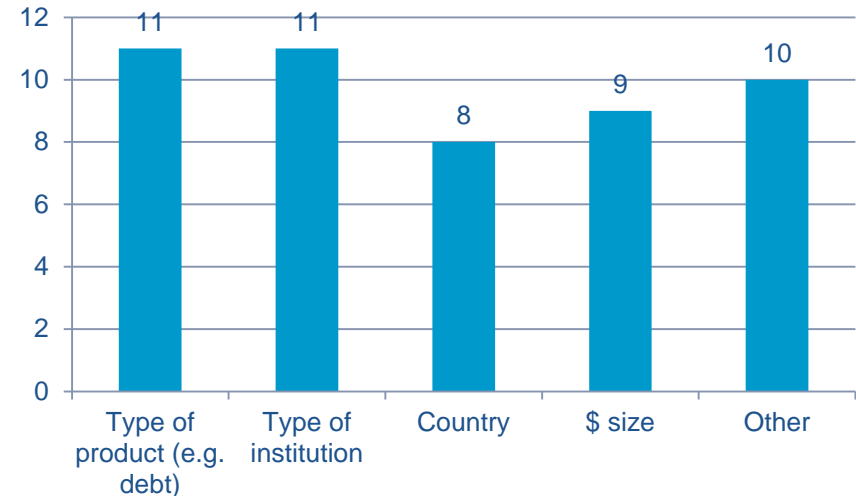
2. Integrating CG in Investment Operations

Who decides which deals are subjected to CG due diligence



Project Analysis and Risk Division are the main units that decide which deals are subject to CG dd

The criteria for selection



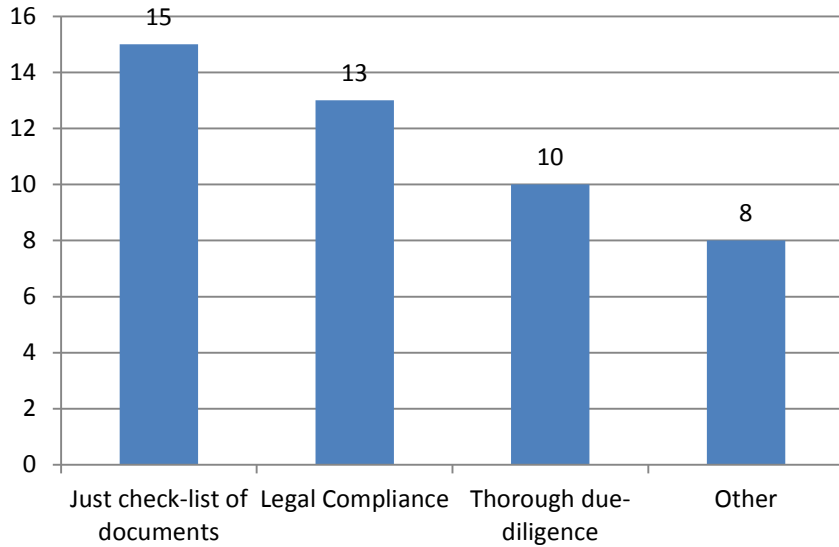
There is no dominant criteria for selection.





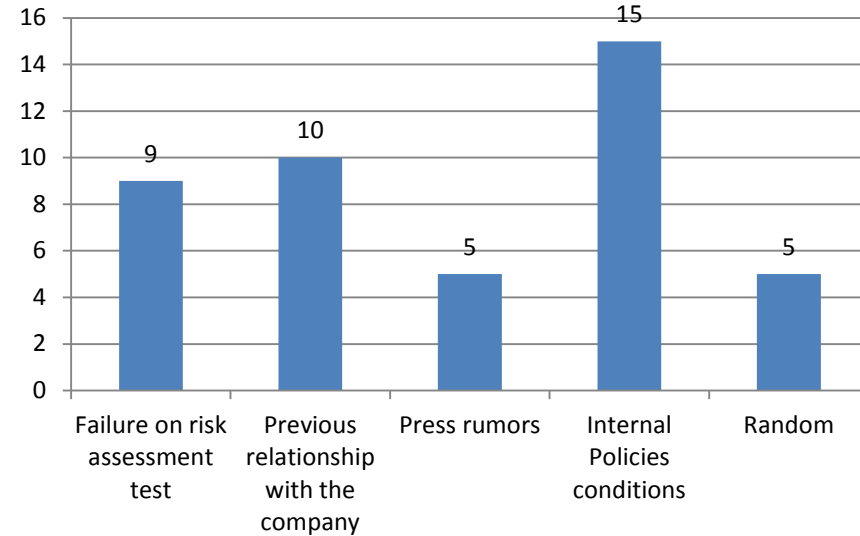
2. Integrating CG in Investment Operations

How deep are the assessments



Most DFIs just do a check list of documents or review the legal compliance

The criteria for choosing depth of due diligence assessments



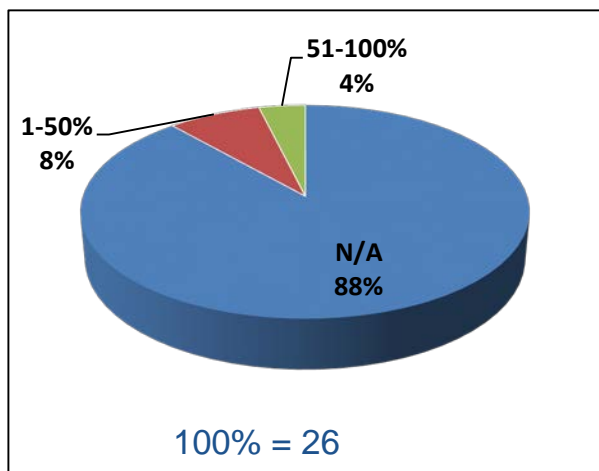
The criteria is based on internal policy conditions or previous relationship with the client



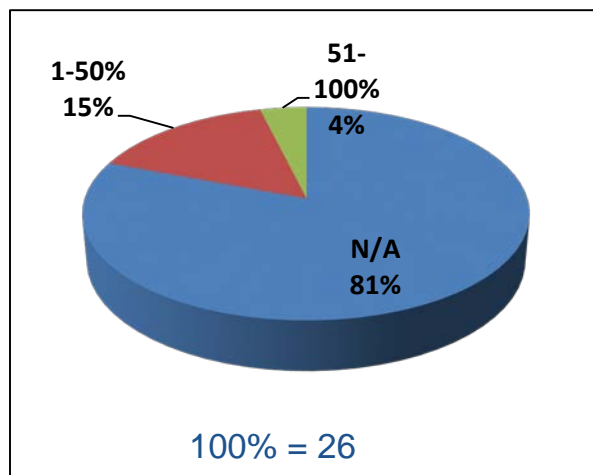
2. Integrating CG in Investment Operations

2.4 CG Action Plans

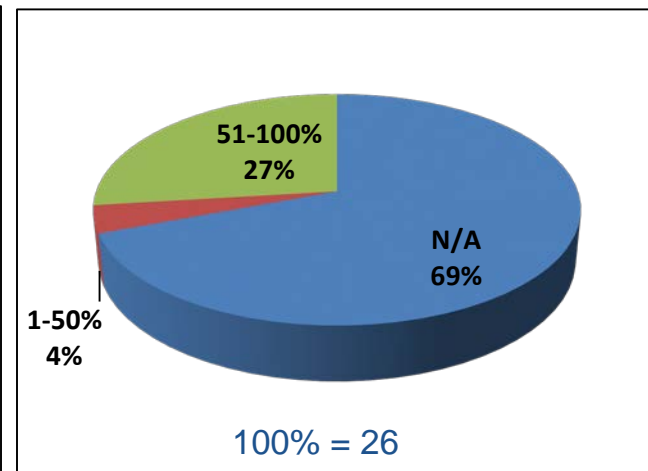
what % of 2013 deals had Action Plans



% of the # of deals in the Portfolio that have Action Plans



% of the deals with Action Plans that are monitored on at least an annual basis?

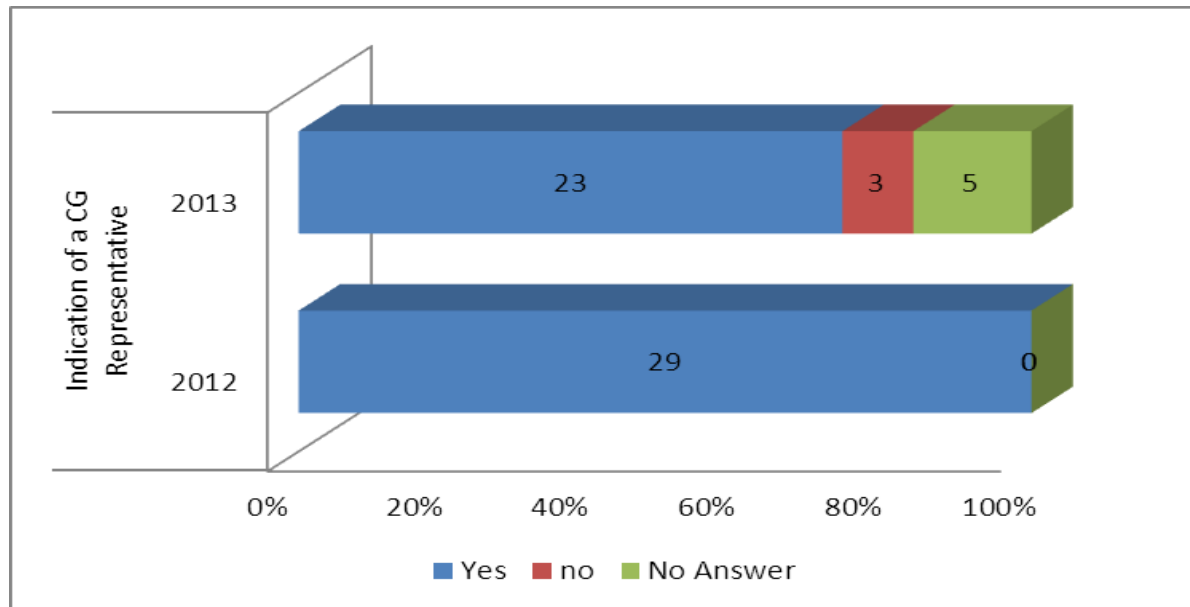


- Most DFIs do not have action plans or cannot provide that information
- Only 27% of DFIs monitor at least half of their deals on an annual basis



3. Ensuring Internal Responsibility

Do you have a CG Focal Point?

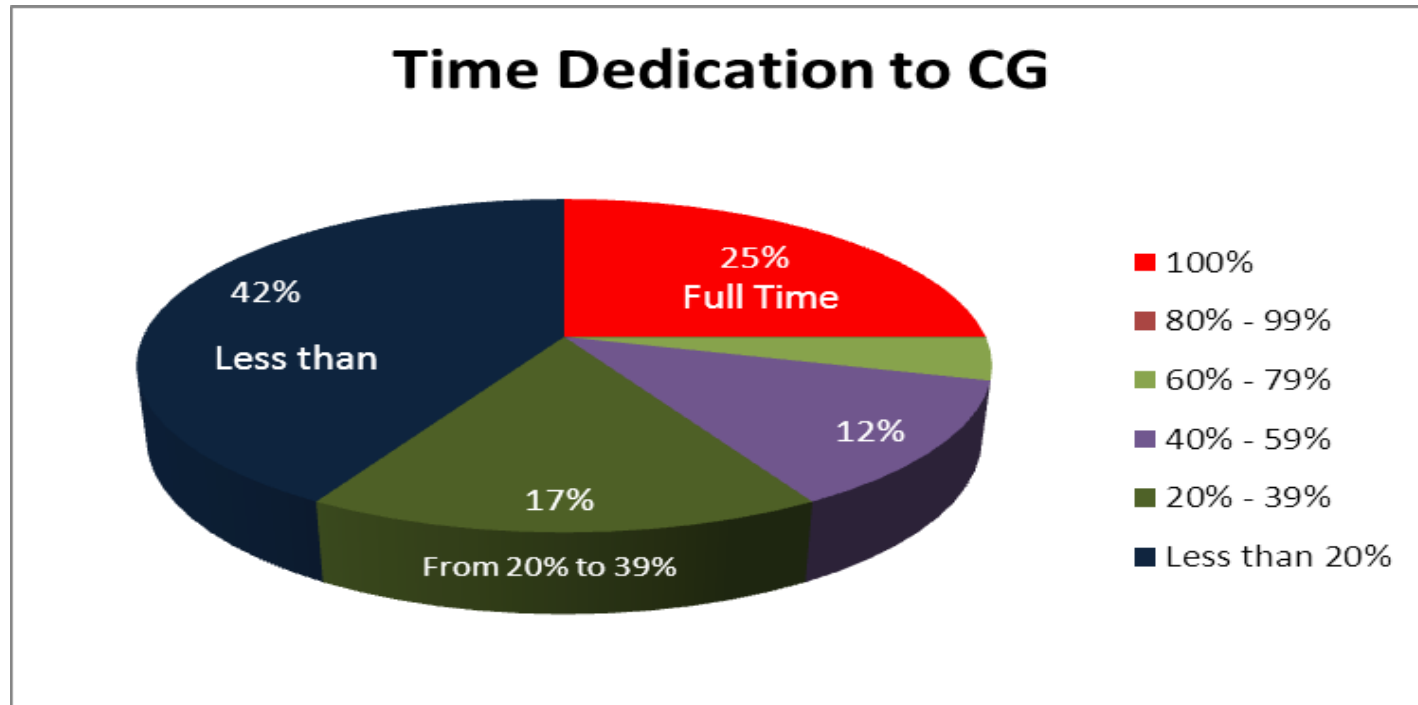


The majority of CG Focal Points are Managers or equivalent.



3. Ensuring Internal Responsibility

CG Focal Point time dedicated to corporate governance.

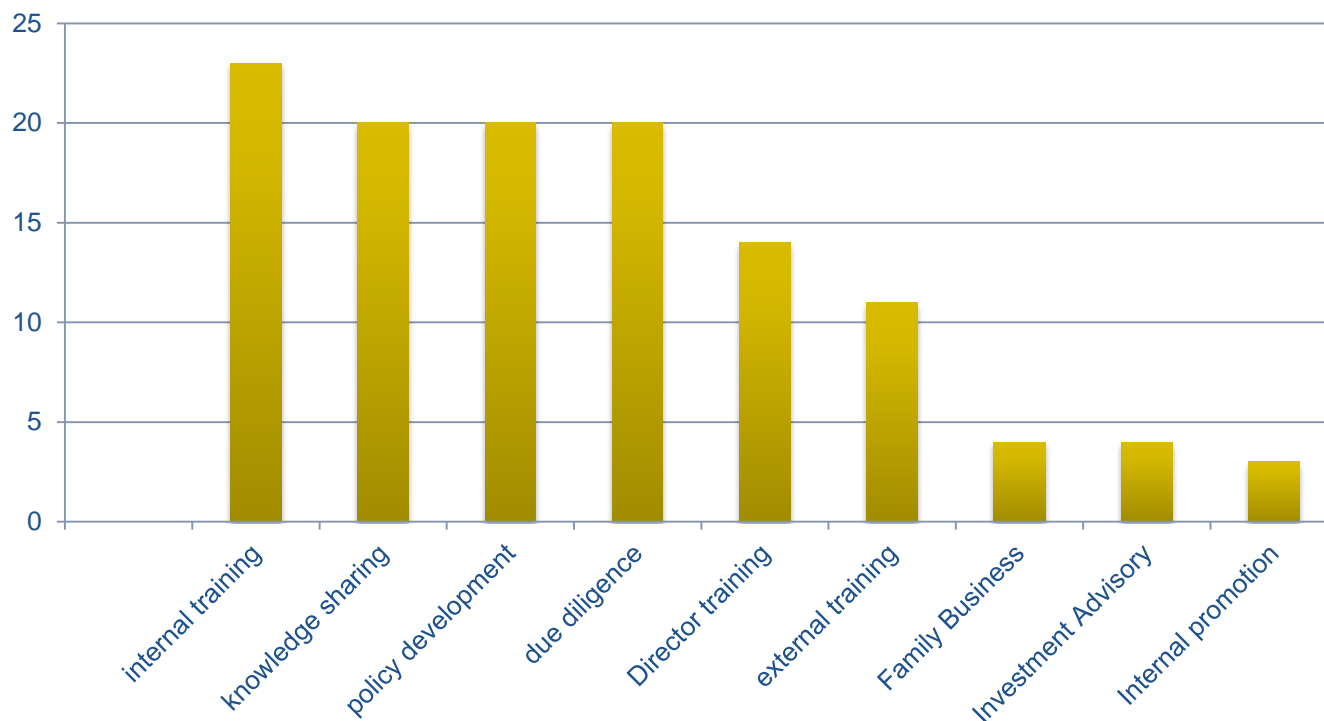


In 2012, 30% of respondents had a Full Time CG Focal Point.



3. Ensuring Internal Responsibility

CG Focal Point scope of work.



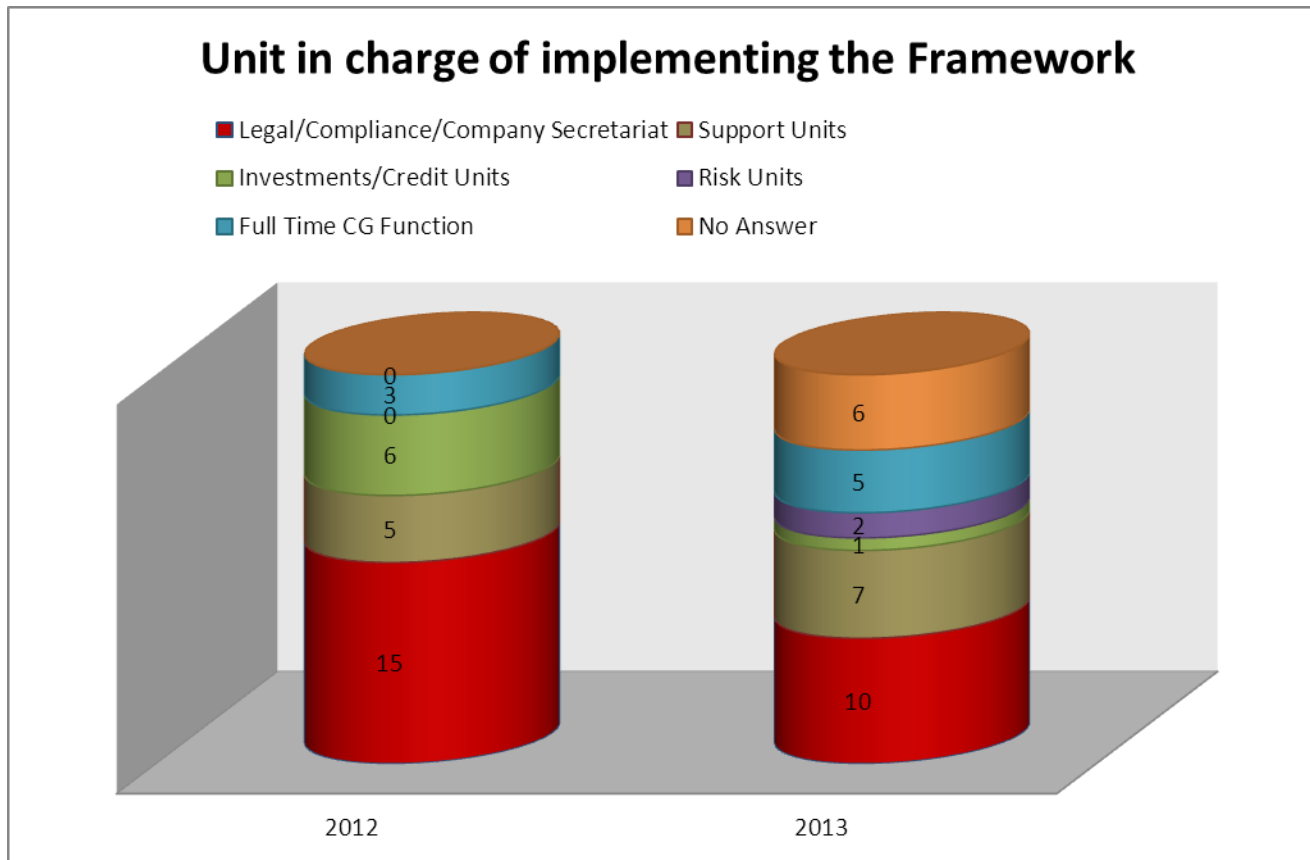
2012 Information is not available





3. Ensuring Internal Responsibility

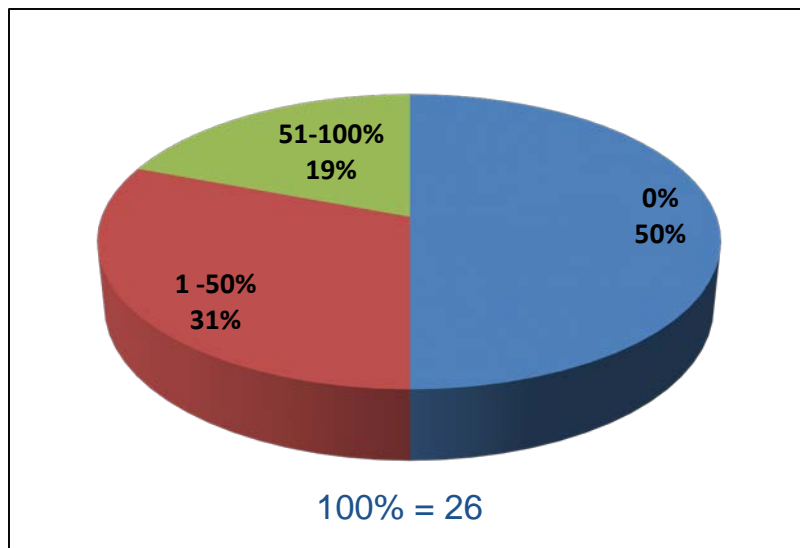
Who is leading the implementation of the Framework in your institution?



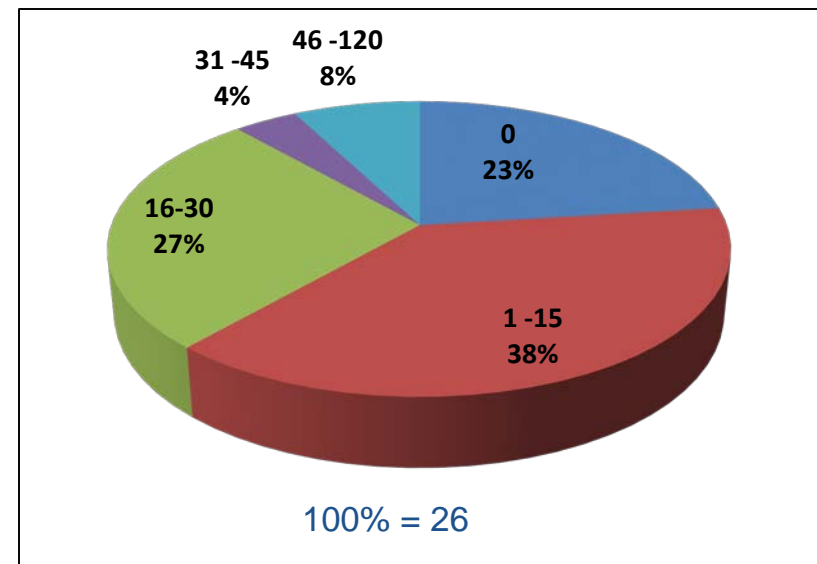
4. Providing or Procuring Training

4.1. CG training for staff

Investment staff trained in 2013 as a % of total investment staff



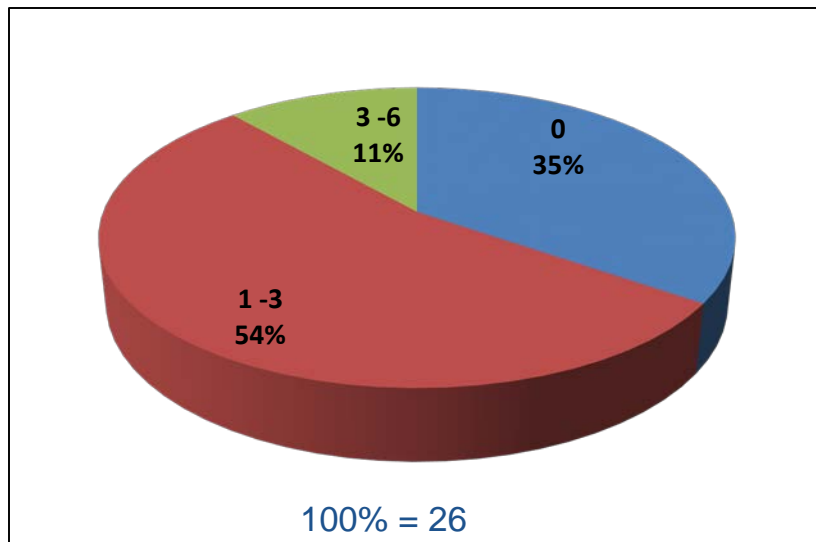
Duration of the training program (hours)



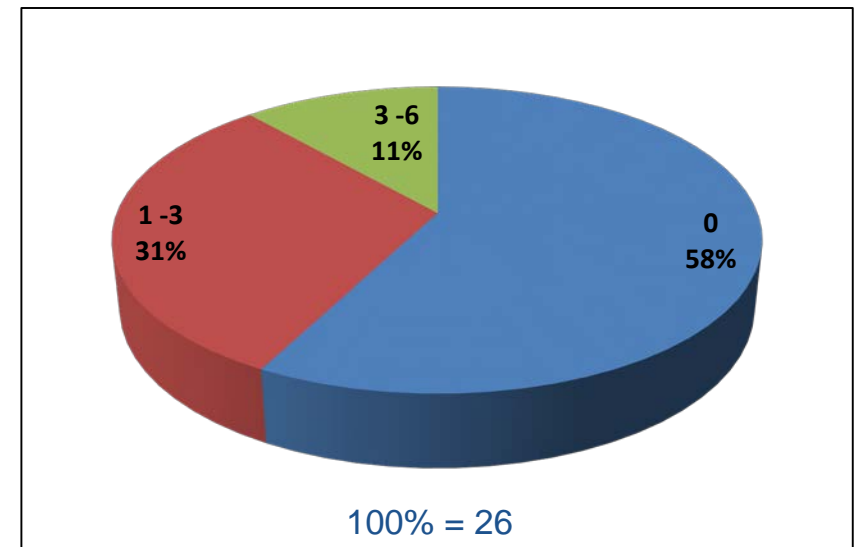
- Half of DFIs did not train investment staff in 2013
- Most training programs have a duration of 1 to 30 hours

4. Providing or Procuring Training

Number of times Training programs are offered per year



Number of training sessions for non investment staff

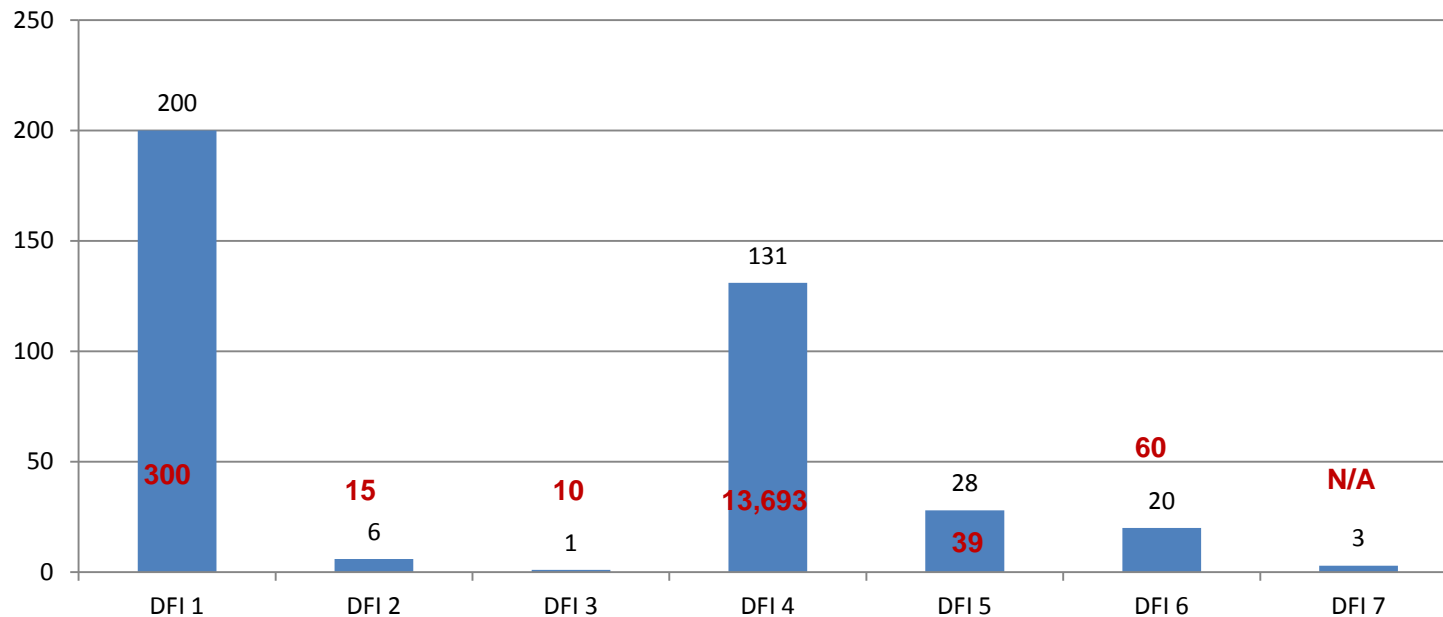


- More than half of DFIs offered between 1 and 3 training programs during 2013
- 42% of DFIs provided between 1 and 6 training sessions to non investment staff

4. Providing or Procuring Training

4.3 CG training for Client Companies

Number of companies that received training



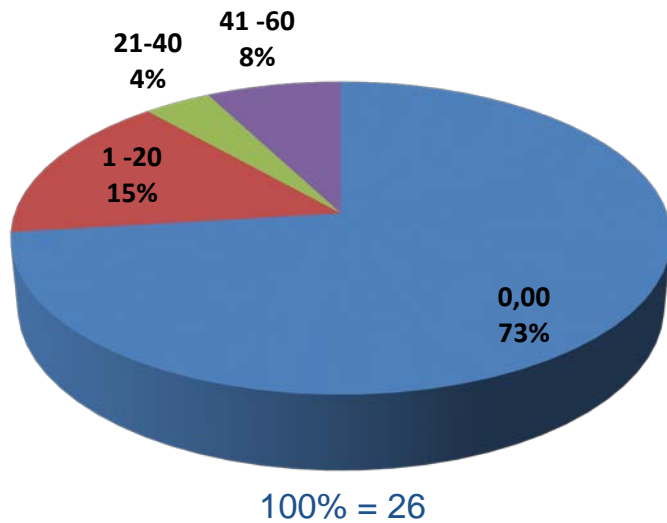
Number of individuals trained

- 7 DFIs provided training to client companies
- Range of companies that received training went from 1 to 200
- Range of individuals trained went from 10 to 13,693

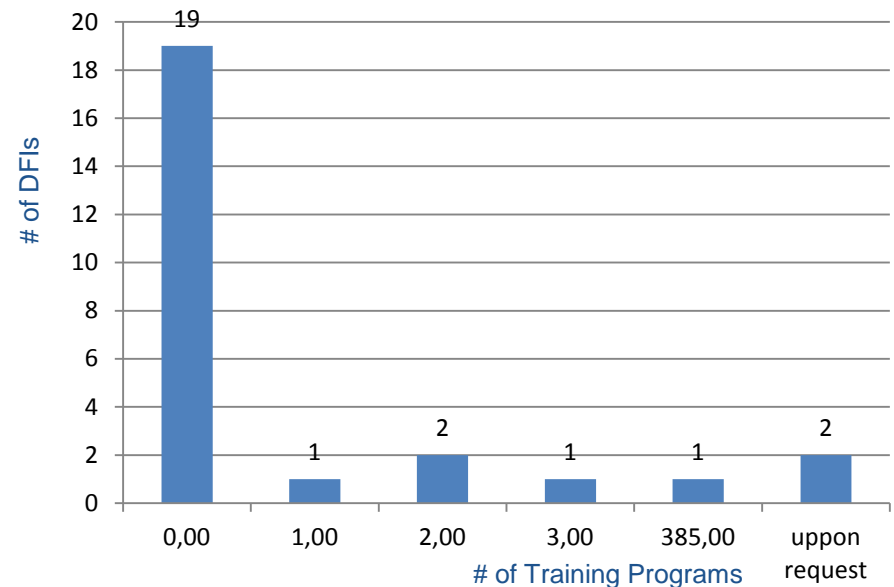


4. Providing or Procuring Training

Duration of the training program



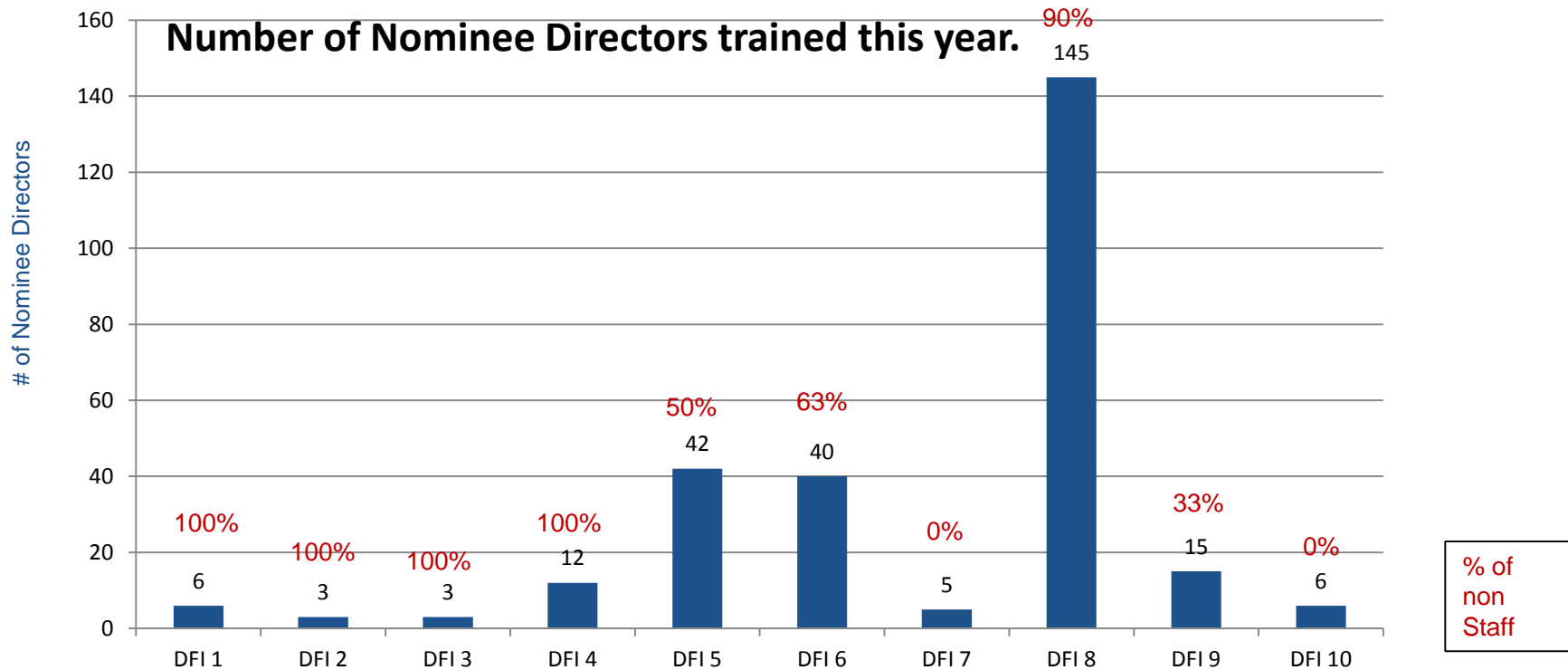
Number of times training programs are offered per year



- Most DFIs do not provide training programs for Client Companies.
- Those who provide them, range between 1 to 60 hours
- DFIs that provided training to clients offered programs at least once a year

4. Providing or Procuring Training

4.4 Specific CG training for Nominee Directors

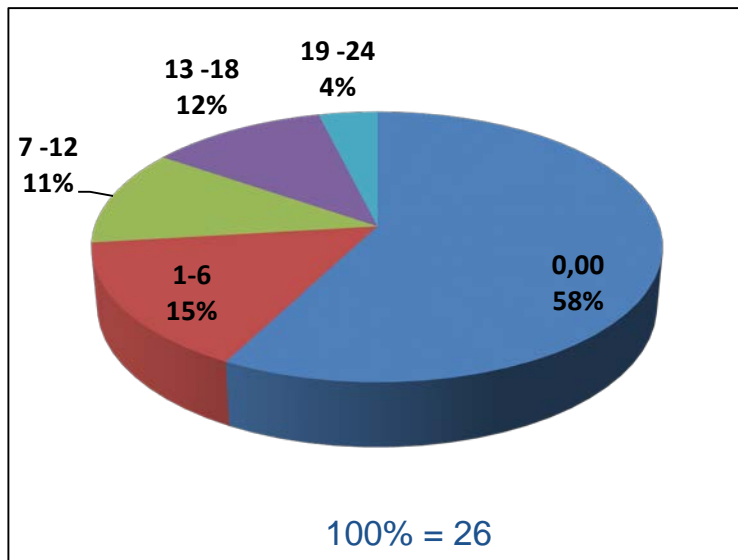


- Only 10 DFIs offered training to Nominee Directors
- Most Directors are non staff

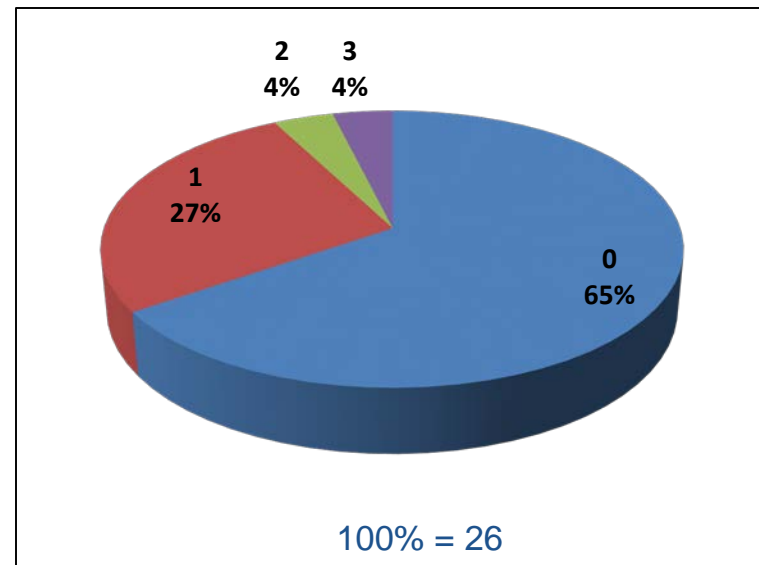


4. Providing or Procuring Training

Duration of the training program



Number of times training programs are offered per year



- 42% of DFIs provided between 1 and 24 hours of training sessions to Nominee Directors
- Most DFIs that provided training sessions to Nominee Directors offered 1 program during 2013



5. Collaborating with other Signatories

Of 31 signatories, 19 collaborated with other signatories, 7 did not and 5 did not respond (assume no collaboration).

Subject of a separate presentation.

Observations: There remains immense scope for collaboration to;

- *Share knowledge*
- *Achieve economies of scale*
- *Expand offering to clients*





Reporting on Implementation

Reporting

- Internally recommend to use the progression matrix
- Externally the working group propose to;
 - Send a letter to signatories
 - High level holistic view
 - Include forward looking actions.

How can we report that adds value to you in your role?

What is the best way to measure the progress in the implementation in your institution?





Conclusion & Next Steps

Our future implementation would be enhanced by:

- Adoption of clear CG procedures in investment operations (ideally in line with the common DFIs CG tools)
- Assessment of CG in investee companies as needed
- Monitoring of CG action plans
- Staff dedicated mostly to CG
- Regular and in depth CG training for staff and nominee directors (when applicable) and clients.
- Increased collaboration among signatories in joint training and information sharing/advice on implementation





Conclusion & Next Steps

However the Questionnaire has raised some questions:

- One size does not fit all - 3 groupings of DFIs – small, medium and large portfolios.
- Timing of questionnaire – mid year?
- Debt dominates – are our tools, methodology and training suited?
- What is the best way to measure progress?
- What is the best way to Report on progress?

