

Governance in Motion:

The Corporate Playbook for Adaptive Leadership



The Next-Gen Leadership Model



The 16th Annual Meeting of the **Corporate Governance Development Framework (CGDF)** hosted by the European Bank for Reconstruction and Development (BRD) in London, marked an important milestone in our collective journey. Governance has reached a new level of maturity: it has moved from theory to practice, from compliance to competitiveness, and from a safeguard to a strategic capability that determines whether institutions can adapt, deliver, and endure.

In a world shaped by technological disruption, geopolitical shifts, and rising expectations around sustainability, good governance is what helps convert uncertainty into direction. It demands boards that not only think faster, but think deeper, diverse in composition, rigorous in judgment, and capable of balancing accountability with innovation. Governance is no longer defined by structure alone; it is defined by the quality of oversight, the curiosity to ask the right questions, and the discipline to ensure that strategy remains a continuous, dynamic conversation rather than an annual exercise.

Our discussions on the so-called ESG “retreat” reinforced a critical point: while terminology may be contested, the underlying substance endures. Responsible investment is evolving toward a more pragmatic, governance-anchored model, one that prioritizes integrity of data, clarity of materiality, and credibility of disclosure over labels or narratives. For DFIs, this means doubling down on governance as the mechanism that keeps commitments credible and translates ambition into measurable impact.

The dialogue on State-Owned Enterprises (SOEs) reminded us that public-sector governance reform is not merely an operational agenda, it is a development strategy. The updated OECD Guidelines offer a roadmap for professionalized state ownership, transparent reporting, and boards that uphold both commercial discipline and public accountability. It has been observed that when Development Finance Institutions (DFIs) speak with one voice, their collective impact is significantly amplified.

We also reflected on our internal incentives as DFIs. Aligning governance milestones with tangible benefits—whether in pricing, access to finance, or long-term partnerships—can accelerate progress. But incentives only work when they reinforce conviction, not compliance.

Across all themes, a single idea resonated clearly: governance is not an end in itself, but a shared capacity to anticipate change and act with integrity. This newsletter showcases how CGDF members are putting that capacity to work, building tools, partnerships, and practices that make governance real in markets and institutions around the world.

In an era defined by complexity, governance remains our common language—and our most reliable compass.

Bruno Sbardellini Cossi

Chair, CGDF Working Group



BOARD ROOM 2025:

As global shocks—from AI disruption to economic decoupling and evolving global dynamics—reshape the landscape, boards face mounting pressure to evolve. The next-generation boardroom must be dynamic, data-literate, inclusive, and capable of continuous transformation.

This was the focus of “Boardroom 2025,” a cornerstone session at the 16th Annual CGDF Meeting.

Boardroom 2025:

Governance and the Speed of Change



The CGDF and the OECD emphasize independence, diversity, and strategic oversight. These are now the baseline. Today's boards must also actively monitor systemic risks: AI, cybersecurity, climate exposure, geopolitical tensions, and reputational volatility. Horizon scanning, scenario planning, and sustainability literacy are no longer optional; they are core governance competencies in boards.

Key Insights

Maturity is about judgment, not checklists. High-performing boards cultivate three interlocking strengths: cognitive diversity, strong chair leadership, and a culture of continuous learning.

The chair's role has become pivotal. Effective chairs create "high-trust, high-challenge" dynamics that encourage dissent, avoid groupthink, and ensure strategy is not overshadowed by compliance.

Strategy must be a living process. Boards should integrate risk, capital allocation, and strategic foresight in real time, treating each committee as part of the strategic engine—not an administrative checkpoint. AI and systemic risk require nonlinear thinking. Boards must stress-test not only financial exposures but reputational, geopolitical, and ethical vulnerabilities.

These capabilities map directly to the CGDF Framework, particularly the pillars on Board Functioning and Commitment, reinforcing the need for boards to evolve beyond structural compliance toward strategic stewardship.





Key Takeaway

The boardroom of the future will be defined less by composition and more by judgment. As technology accelerates and geopolitics fragment, effective boards will be those that combine cognitive diversity with disciplined curiosity—where the chair orchestrates challenge, strategy is continuous, and governance becomes the organization’s most adaptive muscle.

Case Insight:

IFC’s governance proposals in various regional banks in Africa and the Middle East have led to the appointments of independent directors with cybersecurity and digital expertise, strengthening regulatory alignment and improving the quality of oversight of cyber and IT risks.



The ESG Recalibration:

Responding to the Pushback with Smarter Governance

The ongoing recalibration of ESG terminology has raised concerns, but it has also clarified an important truth: the substance of ESG—climate resilience, worker protections, integrity, anti-corruption—remains essential for DFIs. Governance is what ensures these commitments translate into systems and outcomes rather than slogans.

Emerging Governance Themes

The ESG backlash signals maturation, not decline. Varying regulatory expectations and inconsistent metrics—not the core substance—explain much of the shift in terminology.

Many companies continue their sustainability work quietly, demonstrating a form of “**silent resilience**.” This reinforces an important insight: genuine progress is often grounded in disciplined governance rather than public visibility. It is robust oversight, consistent leadership, and long-term commitment, not branding, that safeguard continuity and ensure organizations stay aligned with their strategic sustainability priorities even amid uncertainty.

Governance connects ambition to action—linking disclosure to decision-making, climate pledges to capital allocation, and culture to stakeholder trust.

DFIs must act as bridges across standards and regulatory regimes, helping ensure comparability, coherence, and practical implementation so that ESG commitments translate into credible decisions and measurable outcomes. Tools like the CGDF Progression Matrix help anchor ESG reliability.

Key Takeaway

The ESG debate is entering a more disciplined phase. Labels may fade, but substance endures. Governance is the anchor that converts sustainability from rhetoric into results—ensuring impact is measured by accountability, not branding.



SOEs at the Crossroads:

Governance Reform as Development Strategy

SOEs account for up to 40% of GDP in some emerging markets, yet often face governance challenges that hinder competitiveness and fiscal stability. The 2024 OECD Guidelines call for a new model of state ownership: performance-oriented, transparent, and anchored in clear separation between ownership and regulation

Strategic Considerations

The revised Guidelines act as a “North Star” for modernizing state ownership—principles that guide reform while respecting national context.

They allow DFIs and global investors to speak with a unified voice to governments. The central challenge remains the dual role of the state as shareholder and regulator. Separation of roles is essential to restore accountability and reduce political interference.

Reform begins with a professional ownership entity: empowered, informed, and capable of merit-based board appointments and performance-based oversight.

Sustainability is now embedded in the Guidelines. SOEs are expected to deliver public goods responsibly—with transparency, gender balance, and climate alignment at the core. This positions SOEs not only as service providers but as strategic actors in countries’ green, digital, and infrastructure transitions.

For DFIs, SOEs sit at the center of major infrastructure and energy reforms. Leveraging sovereign lending and policy dialogue can transform SOEs from fiscal liabilities into drivers competitiveness.

Best Practice:

Morocco’s National Railways (ONCF), through engagement with ADB and AfDB, restructured its board and adopted performance contracts—unlocking financing and improving fiscal oversight.

Key Takeaway

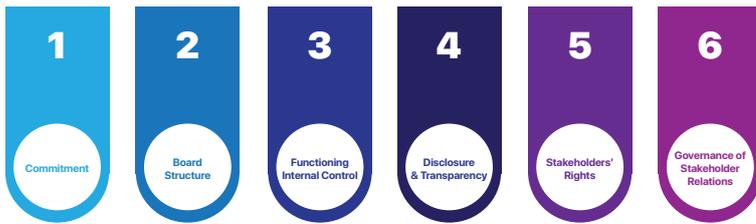
SOE governance reform is not merely about limiting political interference—it is about maximizing national value. Professionalized ownership, strong boards, and sustainability integration can turn SOEs into engines of competitiveness and trust.

Case Insight:

Naftogaz’s turnaround is a Ukrainian success story: with EBRD support and international standards, the state energy giant moved from losses and opacity to transparency, independent oversight, and improved performance—showing that determined reform and strong governance can deliver real results for state-owned enterprises.



From Framework to Function: Putting the CGDF Progression Matrix to Work



Six Pillars of Governance Integrity

The **CGDF Progression Matrix** has evolved from an assessment tool into an operational instrument shaping DFI engagements. By mapping clients across its **six pillars**—commitment, board structure, and functioning, internal controls, disclosure and transparency, shareholders' rights, and stakeholder relations—DFIs can design tailored governance improvement paths and align expectations in co-financing.

Practical Implications

The Matrix provides a shared grammar for governance maturity, thus improving comparability without removing contextual nuances.

DFIs now use the Matrix to turn assessments into concrete actions, milestones, and capacity-building plans—moving from compliance to strategic dialogue.

The new CGDF Matrix Questionnaire helps institutionalize assessments, offering a practical, adaptable tool co-created by DFIs. The Questionnaire consolidates nearly 160 indicators (including 70 core items) providing a practical, modular tool that contributes to early identification of governance gaps.

Tool in Action:

IDB Invest's CGTool digitizes the Matrix approach, enabling automated flagging of governance gaps, risk-based recommendations, and portfolio-level benchmarking. Integrated from origination to supervision, it demonstrates how shared frameworks can drive better investment decisions.

Key Takeaway

The CGDF Matrix and Questionnaire are helping DFIs make governance measurable, comparable, and actionable. Digital tools like the CGTool highlight the CGDF's core purpose: aligning DFIs around shared governance standard to enhance investment quality and strengthen impact.



Incentivizing Governance:

Linking Good Practices to Financial Advantage



DFIs are increasingly exploring how to recognize and reward clients that go beyond minimum governance requirements.

Emerging approaches include performance-linked pricing, governance-linked KPIs, and conditional disbursements tied to verifiable governance outcomes.

Strategic Considerations

Governance improvements can shift from compliance-driven to outcome-driven when incentives make governance a strategic advantage.

For incentives to be effective, DFIs must align their own internal systems—embedding governance into decision-making rather than treating it as an external requirement.

Case Illustration

Governance in Transaction Scoring:

Internal Tools like IFC's AIIM, IDB Invest's DELTA, and EBRD's outcome linked loans embed corporate governance into impact scoring, influencing project viability assessments and signaling governance performance as a determinant of access to finance and visibility within portfolios.

Key Takeaway

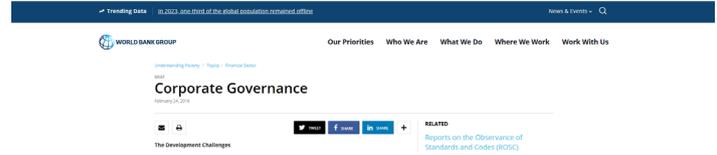
Incentives have the power to turn good governance into a competitive edge. By linking governance milestones to tangible benefits and integrating governance into scoring tools, DFIs can make responsible practices part of the value equation. The next frontier is consistency—ensuring governance-linked incentives become systematic rather than exceptional.

RECOMMENDED READINGS

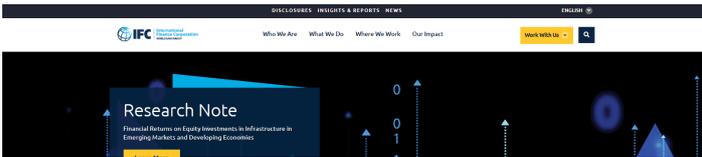
OECD Guidelines on Corporate Governance of State-Owned Enterprises (2024)



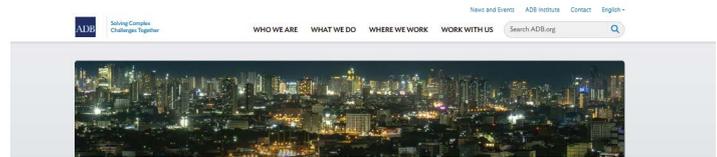
World Bank: Corporate Governance Toolkit



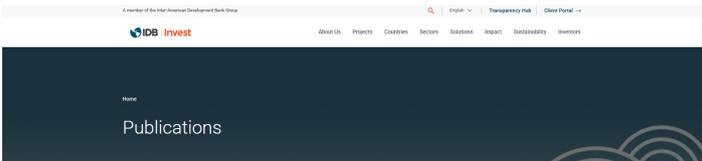
IFC: Corporate Governance Methodology



ADB: Governance Briefs and Technical Notes



IDB Invest ESG Resources



GIH: Governance Insights Hub



UNDP: Anti-Corruption and Governance Framework



PRI: ESG Integration in Emerging Markets



ACGA: Asia Corporate Governance Review



Harvard Law School Forum on Corporate Governance



Law in Transition 202: Delivering impact through the power of law



Corporate Governance Sector Assessment



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