



Knowledge and Capacity Building Products (KCP) Proposal

Policy and Capacity Development

I. General Information

KCP Title:

Corporate Governance for Debt Issuance

OPUS Number:

RG-T1991

Date of Proposal:

12/16/2010

Linked to project:

Team Leader / Unit:

NIEDER, FRANKLIN T. - ICF/CMF

Peer Reviewer 1:

GRAHAM, JOHN G.

Peer Reviewer 2:

STEVENSON, PETER B.M.

Joint Proposal:

Proposed amount, without counterpart in USD equivalent (enter whole number only): USD 60,000
Must match total of budget table on section VI, and of OPUS

Proposed amount including counterpart (if applicable) in USD equivalent: USD 120,000

Proposed Fund:

Institutional Capacity Strengthening Thematic Fund

Unit of Technical Responsibility:

ICF/CMF

Unit of Disbursement Responsibility:

ICF

Execution:

Recipient

Letters of Request available (or equivalent)

Yes

Doc# (IDBdocs):

[35488517](#)

Non-objection available:

No

Doc# (IDBdocs):

Execution period: 10 months Disbursement period: 12 months Required Start Date: 1/29/2010

Executing Agency:

COMISION ECONOMICA PARA AMERICA LATINA Y EL CARIBE

Executing Agency description and capacity:

CEPAL is an UN agency charged with conducting research, providing technical and disseminating knowledge on social and economic issues. It has demonstrated capabilities in the analysis of corporate governance issues, recently finishing a study and book on the issue in coordination with the OECD. Although CEPAL has the technical abilities in this area it has limited financial capacities and has engaged both the IDB and the CAF to assist them with the financing of a second stage of their research in this area.

Country of Origin of Executing Agency:

Regional

Contact in the Executing Agency:

Georgina Nunez

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Beneficiary Countries:

ARGENTINA, BARBADOS, BAHAMAS, BOLIVIA, BRAZIL, CHILE, COLOMBIA, COSTA RICA, DOMINICAN REPUBLIC, ECUADOR, EL SALVADOR, GUATEMALA, HAITI, HONDURAS, JAMAICA, MEXICO, NICARAGUA, PERU, PANAMA, PARAGUAY, SURINAME, TRINIDAD AND TOBAGO, URUGUAY, VENEZUELA.

Beneficiary entity: CEPAL

Sector: PRIVATE SECTOR DEVELOPMENT

II. KCP Type

Origination

Originated in client: KCP is the result of clients' demands.

CEPAL has been working with capital market regulators on improving their capabilities to effectively address corporate governance issues, including protection of minority shareholders, as well with capital market participants to improve their capabilities to meet corporate governance requirements. Through this work regulators and CEPAL have identified a gap in knowledge and capabilities to address corporate governance with regard to debt issues. Most of their previous work has been on equity issuance and trading. This projects addresses this gap.

Scope

Short term purpose:

Improve regulators capabilities to establish effective regulation and its enforcement of corporate governance for debt issues in Latin American capital markets, and (ii) improve capital market participants knowledge of, and capabilities to meet, regulation in this area.

III. Alignment of the KCP proposal with IDB's Institutional Priorities (GCI9).

Cross-cutting

Learning and Capacity Building

3.1 Explain how the knowledge produced with this KCP will be used (policy advice, institutional strengthening, input for programming and strategy, pipeline development, input for other KCPs):

The TC will be used to provide recommendations and training to capital market regulators on best practices on corporate governance regulations and their enforcement.

IV. OBJECTIVES, EXPECTED RESULTS AND ACTIVITIES (Maximum 4 pages)

4.1 Describe the challenge that this KCP addresses (e.g. policy, institutional, technical):

Capital markets in Latin American and Caribbean countries remain relatively small and narrow in terms of the types of products offered and types of firms that participate. For debt markets public debt predominates, and for the private sector in most countries, financial institutions make up the vast majority of capital market debt issues. One of the most critical factors that limit corporate participation in capital markets both in terms of equity and debt is weak and inappropriate corporate governance. It should also be noted that inappropriate corporate governance contributed significantly to the weakness of financial markets in advanced economies and the consequent international financial crisis. Financial market reforms have attempted to address this factor.

In Latin America family control of firms is a major factor that both explain weak corporate governance and a reason to ensure strong corporate governance standards. With family control capital market development requires effective protection of the interests of minority shareholders as well as bondholders. Moreover, good corporate governance tends to ensure greater reliability and transparency of financial information as well as sound and professional corporate management.

Considerable research has been conducted on the impact of corporate governance standards for equity markets in the Region. CEPAL has conducted considerable work in this area, much less has been done on how its affects debt issuance. As a result there is much less known about this relationship and resulting less clear best practices for the regulation of corporate governance for debt issuance.

4.2 Describe lessons learned from previous similar KCP:

Clear demand by the final beneficiaries for the knowledge products and participation in the project, are keys for a succesful knowledge generation project.

Both of these elements are included in this project.

4.3 State the KCP objectives:

Deepen Latin American Capital markets via: (i) enhancing the knowledge base on best practices for corporate governance regulation and enforcement for debt issuance; (ii) disseminating the results to regulators and participants in capital markets, and (iii) assisting regulators to develop these and enforce regulations in this area.

4.4 State the KCP expected results:

(i) Establishment of guidelines on the regulatory framework for corporate governance for debt issuance and benchmarks for their enforcement, and (ii) increased capacities for regulators to adopt and enforce them.

4.5 Provide a description of the main outputs and related activities expected to be carried out:

- (1) Preparation of a matrix of corporate governance regulations enforcement, comparing the situation in Brazil, Colombia and Mexico.
- (2) Preparation of 3 case studies of the impact of corporate governance and its regulation on debt issues in Brazil, Colombia and Mexico.
- (3) Preparation of a draft and final document laying out guidelines for corporate governance regulation as well as benchmarks for enforcement. These guidelines and benchmarks will be based on the analyses conducted in the three case study countries as well as on the knowledge of international best practices and their applicability in the Latin American context.
- (4) Workshop of experts to review draft guidelines and benchmarks.
- (5) Training course for capital market regulators and capital market participants on how to apply and meet the guidelines and benchmarks.
- (6) Training and advice to two individual capital market regulators.
- (6) Publication of final version of corporate governance regulatory guidelines and enforcement benchmarks. 300 copies.

4.6 Identify the main audience or expected users of knowledge generated or disseminated by this KCP

Latin American capital market regulators and capital market participants.

4.7 Additional technical information

If necessary, in an appendix please provide further technical details that you consider relevant to evaluate the technical quality of this KCP. Appendix Doc#(IDBDocs): [35490508](#)

V. KCPs RESULTS FRAMEWORK. Main Outcomes and Outputs.

5.1 Results Matrix:

Please, in the first column fill in each outcome indicator with the relevant outputs. You can use the table of indicators here attached.

Results Matrix

	Unit	Baseline		Year 1		Year 2		Expected Completion Date	Data Source
		Value	Year	Planned	Actual	Planned	Actual		
Number of countries that	.#	0	2010	2		4		12/31/12	Cepal; review of

have upgraded or established regulatory norms on corporate governance for debt issuance in line with the guidelines prepared under this project								capital market supervision regulations.
% of participants who express a high value of the seminar and are better able to establish regulations and enforce them regarding corporate governance that they have learned a great deal about corporate governance regulation and enforcement.	%.	0	2010	75%			8/15/11	Survey of seminar participants

Note: Please note that this outcome and output indicators will be the input for the PMR and will be monitored in the Quarterly Business Review.

VI. BUDGET (*):

6.1 Budget should be presented by outputs or groups of outputs (for example: three publications, three conferences, seminars or workshops; one database; one survey; two training courses), and the relevant activities. Total available funds from counterpart sources should be reported. Use whole numbers only.

Costs	Project Cost – IDB Financing					Counter- part Resources	Other Financing
	Year 1			C	Total request		
	Consult.	Travel (consultants only)	Other				
Matrix, supervision of case studies , preparation of guidelines documents.(Outputs 1,2, and 3)	22,000		0	0	22000		
3 Case Studies	15000				15000	22,500	
Workshop to review guidelines and benchmarks. (Output 4)	500	750	7000	0	6250	0	0
Training Seminar (Output 5)	500	750	12,000		13,250		
Training in 2 individual capital market regulatiing institutions.	2000	1500			3500		
Publication of guidelines and benchmark document. (Output 6)	0	0	0	0	0	6,000	0

Administration	0	0	0	0	0	30,000	0
• Administration					0	30,000	
Contingencies	0	0	0	0	0	1,500	0
• Contingencies					0	1,500	
Sub-total	38,500	1500	20000	0	60,000	60,000	0
	Monitoring and evaluation						
Total	38,500	1500	20000	0	60,000	60,000	0

Approximate value of in-kind counterpart

(*) More details may be required by donors (e.g. consultant cost per day);

6.2 Describe the source and type of counterpart resources

CEPAL: US\$37,500 Publication, Administration and Contingencies.
CAF: US\$22,500: Case studies

6.3 Types of Consultants: Firms or individuals and main activities/outputs:

Type: Individual or Firm (if available)	Nationality (if available)	Estimated Cost	Main Activities / Outputs

VII. Bank costs:

For the Bank's internal purposes, please provide information in Bank costs associated with the execution of this KCP:

7.1 Bank staff participation in KCP:

Staff Name	Bank Unit	FTEs
CASABURI, GABRIEL	CMF/CAR	0.1
NIEDER, FRANKLIN T.	ICF/CMF	0.2

VIII. Risks:

Fill-out the KCP's Environmental Screening and Classification using this link to the [Environmental Screening and Classification Toolkit](#). Then save it in IDBDOCS and record its number in the box below (*):

[35526246](#)

8.1 Implementation Risks:

That consultants provide quality products.

8.2 Please identify key environmental and social risks and impacts, and the strategy to address them:

No environmental or social risks or impact.

IX. Coordination with other MDBs

9.1 Summarize collaboration or coordination with other MDBs, donors and other strategic partners (if any): IDB, CAF as well as the OECD will work with CEPAL in the execution of the project. IDB and CAF via financing and joint supervision of several products, and OECD in the provision of data and review of documents.

X. Monitoring and evaluation plan.

Fill-out the KCP's Development Effectiveness Matrix (DEM) using this link to the PCD [DEM template](#). Then save it in IDBDOCS and record its number (*):[35523353](#)

10.1 Summarize the basic elements of the Monitoring and Evaluation plan, including key activities and associated budget:

CEPAL will monitor the preparation of the consultant products, and the review of the products will be done by the team of institutions involved in the project, including CAF and the IDB. In addition, a team of experts will review the draft report, which will help to ensure high quality and serve as a form of external evaluation.

For the training component, participants will evaluate its effectiveness.

10.2 Exceptions to Bank policies:
None expected

10.3 Contractual Clauses:

Terms of Reference Doc#(IDBDOCS):

(*) All documents saved in IDBDOCS must have read permissions granted to the group DOCS Users