

corporate governance

better companies, better societies

Launching an Institute of Directors in Mozambique: Business Leaders Drive Effort to Advance Good Governance

Mozambique needs to attract investors to realize the opportunities emerging in the global economy. That need for capital drove the country's business leaders to seek improvements in the governance of companies and their boards. Establishing the Institute of Directors of Mozambique (IoDmz, Instituto de Directores de Moçambique) became a priority.

"A nation's development is not made only with natural resources, which might create wealth, but also with a change in how people do business. Corporate governance encourages this change," said Salimo Abdula, president of the Confederation of Economic Associations of Mozambique (CTA).

"We had to build awareness about corporate governance, a concept that few knew and understood in Mozambique," said Afonso Mondlane, the promoter of IoDmz. "Senior managers and board directors sought training on the value of corporate governance and how to apply those standards. The institute's launch became the starting point for broadening awareness and producing important changes in business behavior."

By supporting the institute, prominent business leaders underscored the importance and necessity of improving corporate governance practices. The institute quickly became the focus for advancing reforms in Mozambique.

Benjamim Pequenino, CEO, Governance Development Institute of Mozambique (GDI) and Mondlane drove the establishment of a founders committee, composed of prominent leaders in the country's private sector. Their initial support underscored the importance



From left to right: Américo Magaia, CEO, SOGEX; Teodoato Hunguane, and Abdul Kha Leck, President of AVITUM—Tourism and Tour Operators Association.

and necessity of improving corporate governance policies and practices. The founders stressed practical approaches.

"It is necessary to move into a situation where the manager's power, from private or public institutions, is clarified and made more transparent and ethical," said Pequenino. "This will lead to reliable reports to boards from management of accounting information, which, in turn, allows the board to make good decisions, which the public can trust."

As the committee broadened and strengthened support for corporate governance within the business community and government, its members developed and executed a business plan, with assistance from local management consultants, the IFC Private Enterprise Partnership for Africa, and the Global Corporate Governance Forum. Other countries' successes informed the plan.

"The Forum toolkit for IoDs was our roadmap, laying out the steps we needed to follow for our institute's launch and ongoing administration," said Pequenino. (The kit is available at www.gcgf.org.) "Having the support and counsel of the IFC enabled us to learn from the experiences of others — the mistakes and the successes."



Global
Corporate
Governance
Forum

The Global Corporate Governance Forum was co-founded by the World Bank and the Organisation for Economic Co-operation and Development (OECD) in 1999. It is an International Finance Corporation (IFC) multi-donor trust fund facility located in the IFC/World Bank Corporate Governance and Capital Markets 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 crisis, and provide incentives for 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.

Donors to the Forum include the IFC and the Governments of Canada, France, Luxembourg, the Netherlands, Norway, Sweden, and Switzerland.



From left to right: Phil Armstrong, Head of the Forum; Eduardo Boechat, IFC; Benjamin Pequeno, CEO, Governance Development Institute of Mozambique (GDI); Leonardo Viegas, guest speaker, IBGC – Brazil; Afonso Mondlane, IoDmz promoter; Mário Gomes, IFC; Rui Moura, Mundiserviço's consultant; Salimo Abdula, President of CTA.

The IFC, through the Forum, and other organizations shared their expertise in advancing corporate governance reforms in developing and emerging market countries. The IFC, the Forum, and others helped the institute obtain a US\$140,000 commitment from the African Development Bank and additional funds from the Center for International Private Enterprise (CIPE).

“The IFC in Mozambique and the Forum provided examples illustrating how countries that adopted strong corporate governance laws and supported companies’ efforts to implement these reforms resulted in economic benefits,” said Pequeno. “Their evidence convinced skeptics that better companies lead to better societies.”

A business plan emerged to solidify support, broaden awareness, and achieve long-term sustainability without depending on donor assistance. A Website (<http://www.iodmz.com>) and brochures were among the materials developed to establish the institute’s brand. “We saw that those institutes with strong, credible brands, like the Brazilian Institute of Corporate Governance, were particularly effective, one of many helpful points made in the Forum’s toolkit” said Felix Granados, a management consultant.

As a result, the institute’s first workshop in June 2007 drew more than 250 members of the business community, introducing them to corporate governance and the supporting

evidence. The workshop’s curriculum involved the IFC and the Forum.

The institute’s plans include: a series of training programs targeted at board directors; providing expertise through the institute’s own staff and the Forum’s network of private sector advisors to help companies and Mozambique’s government implement corporate governance laws and standards; and, sharing successful efforts of Mozambican companies with other businesses interested in adopting best practices.

“The contacts made in the course of establishing IoDmz will form the base of future partnerships,” said Mário Gomes, IFC Associate Operations Officer. ■

FACTORS FOR SUCCESS

- Business access to global capital
- Need for public trust in companies brings pressure for corporate governance reforms
- Government support
- Passionate, committed leaders
- Demonstrating the business case
- Expertise from an international institution
- Financial support from a regional institution
- Authoritative resource for thought leadership

PROGRESS

- First National Corporate Governance Conference (June 7, 2007)
- Educational initiatives
- Interest in corporate governance broadens among companies, policymakers
- Regional collaboration with other like-minded institutes emerges
- Neighboring countries prompted to compare their progress against Mozambique’s initiative

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Global Corporate Governance Forum
 2121 Pennsylvania Avenue, NW
 Washington, DC 20433 USA
 Tel: +1 202 458 1857
 Fax: +1 202 522 7588
cgsecretariat@ifc.org
www.gcgf.org

Mário J. Gomes
 Associate Operations Officer
 International Finance Corporation
 1222 Kenneth Kaunda Avenue
 PO Box 4053
 Maputo, Mozambique
 Tel: +258 21 48 23 25
 Fax: +258 21 49 62 47
mgomes1@ifc.org

The next issue:

Institute of Corporate Governance in Panama – The Global Corporate Governance Forum was a catalyst in helping business leaders drive reforms in corporate governance practices. Guided by the Forum and its network of private sector advisors, the institute’s founders are building awareness for the value of corporate governance among the business community in a maturing economy.