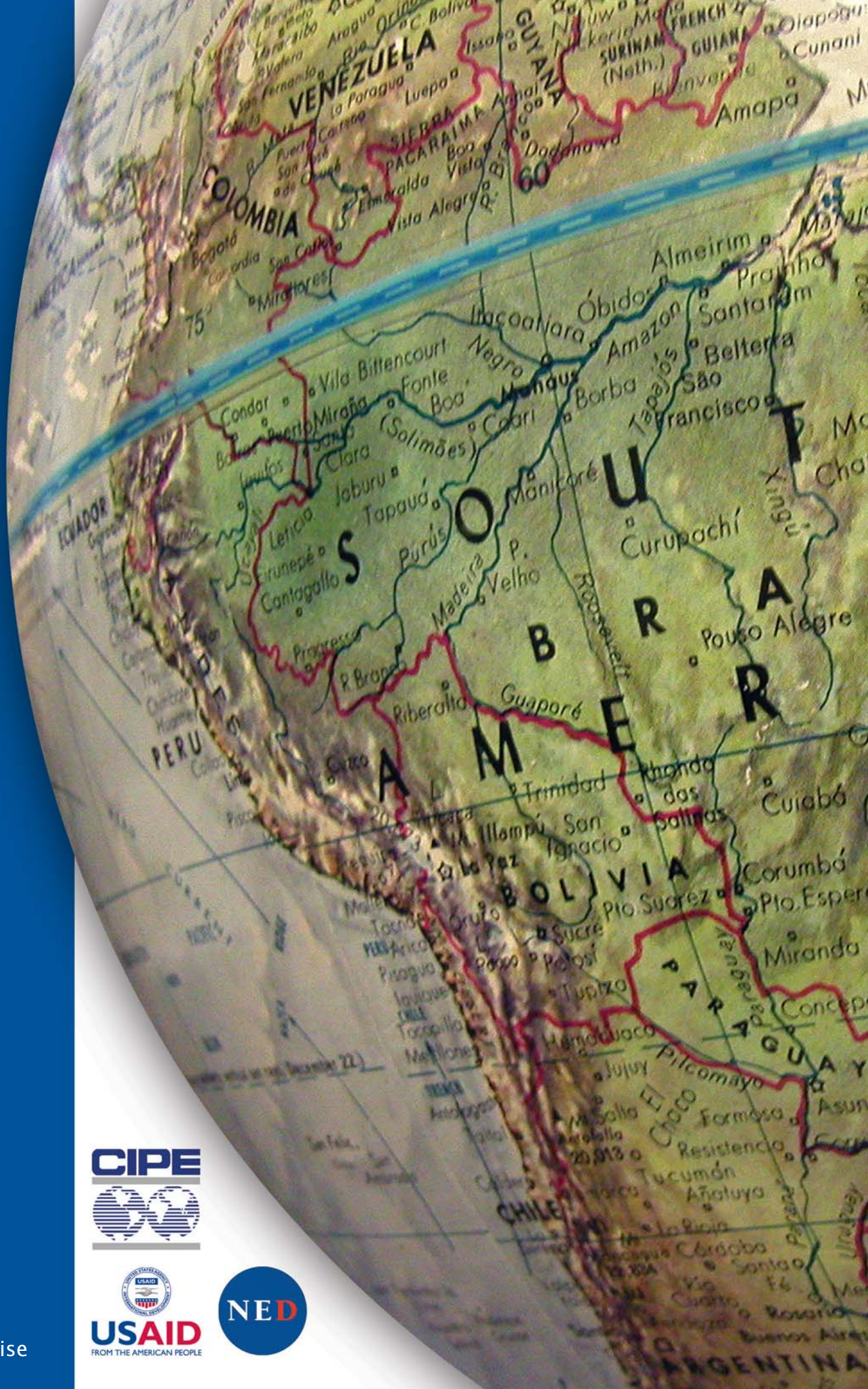


CORPORATE GOVERNANCE IN LATIN AMERICA



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Private Enterprise

CIPE's Corporate Governance Strategy

CIPE began its corporate governance programs in the early 1990s, when privatization was taking place throughout transition economies in Central and Eastern Europe. With funding from the National Endowment for Democracy (NED), CIPE has since worked successfully with dozens of partners to improve corporate governance in countries across the globe.

Beginning in 2000, the U.S. Agency for International Development (USAID) and CIPE have worked together to support corporate governance initiatives in Europe and Eurasia. Based on the success of these programs, USAID invited CIPE to initiate its Latin American Corporate Governance Initiative.

CIPE supports efforts of local partners through technical and financial assistance, as well as through access to resources, tools, and strategies acquired over the past 15 years of work on corporate governance around the globe.

The Importance of Corporate Governance in Development

Over the past several decades, corporate governance has emerged as an issue critical to countries' democratic and economic development. Countries with strong corporate governance standards are better positioned to attract foreign capital. Frequently, the decision to invest in a particular profit-making firm is made from a distance by investors who are removed from the day-to-day operations of the company. Corporate governance is a tool that ensures the values of transparency, accountability, and responsibility in business and helps companies gain access to capital. Further, CIPE stresses the importance of corporate governance for all types of firms – private, state-owned, and family-owned – because good business practices are applicable to all companies regardless of affiliation, size, industry, or location.

The importance of corporate governance extends beyond its contribution to a favorable business climate. Corporate governance is equally important for society, because the day-to-day practice of corporate governance standards requires that companies support the rule of law and that efficient courts uphold property rights. It requires that financial records be independently audited and that avenues of corruption be exposed. It demands that shareholders be given information so that they can make informed decisions. As corporate failures inevitably have negative effects on societies and governments, good corporate governance is in the best interest of all parties. Further, corporate governance cannot exist without key institutions of democracy and is, therefore, a crucial tool in democratic development.

Building Corporate Governance in Latin America: Key Steps

With support from the CIPE-USAID initiative, groups throughout Latin America and the Caribbean have been at the forefront of corporate governance reforms in the region. From CIPE's experience, business communities pass through five overlapping phases in the creation of stronger corporate governance practices.

1. Raising Awareness

The first phase of any successful corporate governance program is a broad education campaign to further the understanding of the importance of good governance for firms, societies, and governments. Awareness programs are also important in that they mobilize public support, define key principles, and facilitate political will to reform. For example, in 2003 the Instituto Argentino para el Gobierno de las Organizaciones (IAGO) organized a conference on corporate governance in Buenos Aires, attended by business executives from 90 biggest companies with offices in Argentina. CIPE has also supported two meetings of the Eastern Caribbean Corporate Governance Forum with the goal of adopting a Best Practices Code for the region.



2. Developing National Codes of Conduct

CIPE has worked in partnership with the Organisation for Economic Co-operation and Development (OECD), International Finance Corporation (IFC), World Bank, Global Corporate Governance Forum (GCGF), and reformers in Latin America to develop region-specific corporate governance recommendations. These recommendations were published as the *White Paper on Corporate Governance in Latin America*. This work has also provided a foundation for the formulation of workable national codes of corporate governance. For example, The Confederación Colombiana de Cámaras de Comercio (Confecámaras) formulated and disseminated a Code of Best Practices to the Colombian business community, and this Code has become a regional benchmark for corporate governance. In early 2005, Chile's Fundación de Economía y Administración UC (FEAUC) completed the establishment of a corporate governance center, in partnership with the country's leading business associations. FEAUC worked with the Chilean Securities and Exchange Commission and others to create an institute to oversee the implementation of national codes. This achievement has been more than four years in the making, and is evidence of their effective collaboration with the CIPE-USAID initiative.

3. Monitoring Implementation

Development and introduction of corporate governance codes is a significant step, but business associations, journalists, and corporations must monitor the implementation of the new codes. Monitoring is important because it helps companies ensure that corporate governance standards are not simply a signed document sitting on the shelf – that in fact it is a working mechanism. Compliance, not the standards alone, are crucial to investors and society. Both Confecámaras and the Instituto Brasileiro de Governança Corporativa (IBGC) are focused on improved monitoring by providing specialized training for journalists enabling them to better cover corporate governance.

4. Cultivating Corporate Leaders

After the framework of corporate governance is established, new responsibilities fall to executives and corporate officers. It is important, therefore, to ensure that these business leaders have the skills necessary to bring corporate governance standards to life. For example, in Peru, local CIPE partners the Asociación de Empresas Promotoras del Mercado de Capitales (PROCAPITALES) and the Universidad Peruana de Ciencias Aplicadas (UPC) encourage sound corporate governance practices with their capacity-building programs for executives. Also, in July 2003, a regional program cosponsored with the GCGF brought 35 corporate governance institutes, business associations, and other corporate governance professionals to Washington for training in best practices. This program served as a launch point for many of the CIPE-USAID country initiatives.



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Instituciones que participaron

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Derechos y trato equitativo de los asociados

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- Acuerdos entre asociados

- Trato equitativo de los asociados



SME Best Practices Code developed by Confecámaras with CIPE-USAID support

CIPE's Corporate Governance Resources

In Search of Good Directors:
A Guide to Building Corporate
Governance in the 21st Century
(3rd Edition)
(English and Spanish)

Corporate Governance
in Development:
The experiences of Brazil,
Chile, India, and South Africa.
(Published by CIPE/OECD)

Instituting Corporate
Governance in Developing,
Emerging, and Transitional
Economies: A Handbook.

More than 30 articles on
corporate governance reform,
written by leaders from
around the globe.

These and other materials
on CIPE's corporate governance
programs around the world are
available on CIPE's website at
www.cipe.org

About CIPE

The Center for International Private Enterprise is a non-profit affiliate of the U.S. Chamber of Commerce and one of the four core institutes of the National Endowment for Democracy. CIPE has supported more than 800 local initiatives in over 90 developing countries, involving the private sector in policy advocacy, institutional reform, improving governance, and building understanding of market-based democratic systems. CIPE programs are also supported through the United States Agency for International Development.

CIPE works in four principal areas, helping the business community become a leading advocate for market-oriented reform and democratic governance. These include: a grants program supporting grassroots networks in developing countries, an award-winning communications strategy, training programs, and technical assistance through field offices.

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CIPE is an affiliate of the
U.S. Chamber of Commerce



5. Institutionalizing Corporate Governance

When the business community accepts corporate governance as a key part of its operations, when it realizes the benefits that come with it, and when the institutions that support compliance are solidly in place, corporate governance becomes institutionalized – it becomes a part of country's economic and political structure. CIPE is an active supporter of the Latin American Roundtable on Corporate Governance, an ongoing initiative of the OECD in partnership with the IFC, World Bank, and other organizations. These meetings bring together financial market regulators, stock exchanges, business leaders, and pension fund managers to focus on institutionalizing corporate governance through enforcement, effective boards of directors, key values of transparency and responsibility, rule of law, and disclosure. Participants shared lessons learned and exchanged successful strategies for further efforts to advance corporate governance in the region. Across the region, these reformers remain committed to improving the governance of firms.



Corporate Governance Partners in Latin America

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|------------------|--|
| Argentina | Fundación Empresaria para la Calidad y la Excelencia (FUNDECE)
Mario Casellini, Executive Director |
| Brazil | Instituto Brasileiro de Governança Corporativa (IBGC)
Heloisa Bedicks, Managing Director |
| Chile | Fundación de Economía y Administración UC (FEAUC)
Francisco Rosende, President |
| Colombia | Confederación Colombiana de Cámaras de Comercio (Confecámaras)
Eugenio Marulanda Gómez, President |
| Peru | Asociación de Empresas Promotoras del Mercado de Capitales (PROCAPITALES)
Enrique Oliveros, President |
| | Universidad Peruana de Ciencias Aplicadas (UPC)
Luis Bustamante Belaunde, Rector |