

South-South Knowledge Transfer: How Brazil and Mozambique Cooperated on Corporate Governance Capacity Building

In 2010, the Brazilian Institute of Corporate Governance (IBGC) reached out to IFC's Global Corporate Governance Forum for support in its South-South collaboration project with Mozambique. Initially envisioned as a short series of training workshops, the project evolved into a long-term partnership that benefited all parties and provided some valuable lessons on how to make such South-South collaboration work.



Global
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Background

The project traces its roots to 2007, when a board member of IBGC traveled to Maputo, Mozambique, to speak at a corporate governance event. During that trip he met with the IGEPE (Mozambican State Holdings Management Institution) officials for the first time. In 2010, three IBGC members visited IGEPE to conduct an introductory education program for more than 40 members of IGEPE-controlled companies (directors, chairmen, chief executive officers, and executives), and IGEPE hired IBGC for additional training sessions during 2010.

At this point—after a preparatory trip to Mozambique—IBGC asked the Forum for support. Although the two countries share Portuguese as a native language, the IBGC managers realized that there were big differences in culture and business practices, especially regarding the level of corporate governance knowledge and the implementation of good practices. Simply delivering the Brazilian version of corporate governance training to a Mozambican audience would not be effective. The

circumstances called for a more tailored and long-term solution.

With Forum support, IBGC agreed to send two of its specialists to explore and analyze the corporate governance environment in Mozambique. The objective: to adapt the IBGC training curriculum and materials and the Forum's Board Leadership Toolkit to train directors and high-level executives on good corporate governance practices.

The IBGC-IGEPE South-South collaboration was a win-win project. IGEPE received world-class training at a very low cost through experienced IBGC trainers who were well-prepared for Mozambican circumstances and business practices. At the same time, IBGC gained useful exposure to Mozambican businesses—a plus, given that Mozambique is an obvious business partner for Brazil in Africa because of the shared language. As a bonus, IBGC discovered that materials and experience from the Mozambique project could be useful for training in the outer regions of Brazil, areas with incipient but not yet developed corporate conditions.

ABOUT THE FORUM

IFC Global Corporate Governance Forum supports corporate governance reforms in emerging markets and developing countries. The Forum develops advanced knowledge and training products promoting good practices in corporate governance and facilitates capacity building of director training organizations engaged in implementing corporate governance reforms.

The Forum partners widely with international, regional and local institutions, and draws on the guidance of its global network of private sector advisors and academic research network.

The Forum is part of the IFC Corporate Governance Group, located in the Environment, Social and Governance Department. It is a donor-supported facility, co-founded in 1999 by the World Bank and the Organisation for Economic Co-operation and Development (OECD).



Mozambicans and Brazilians working together during a training session in Brazil. (2009)

Lessons Learned

Even with an established partner, do the due diligence.

The Forum supported IBGC through hiring two specialist in Mozambique's business environment (called "MZ specialists") to interview and meet with shareholders, chairmen, board members, and C-level executives of state-owned, mixed-capital, and privately owned companies, associations, and the central bank, among others. Even though IBGC has been in contact with IGEPE for several years now, this general scoping mission re-confirmed that IGEPE was at that time the main agent for promoting good corporate governance in Mozambique. Its primary mission is to defend the interests of the State of Mozambique in about 130 companies where it has some capital stake, thus encompassing more than 200 board members, chairmen, and executives. This was certainly a good audience for the training program to start with!

IGEPE's influence and exposure—with the state-held companies and their distribution and supply chains as well as with other stakeholders—provided a great opportunity for the two MZ specialists. They interviewed 25 different organizations during their four trips to Mozambique. Also, IGEPE's commitment and professionalism convinced IBGC that IGEPE has what it takes to help improve corporate governance practices and to be a serious partner.

Stay focused on your objectives, but be flexible about how to achieve them.

IBGC and IGEPE arranged for a set of four training sessions to occur during a six-month period. As the project developed, the MZ specialists made four trips to Mozambique total to support the IBGC corporate governance trainers who were to develop and deliver the local adaptation of the training. The specialists also attended two of those training sessions.

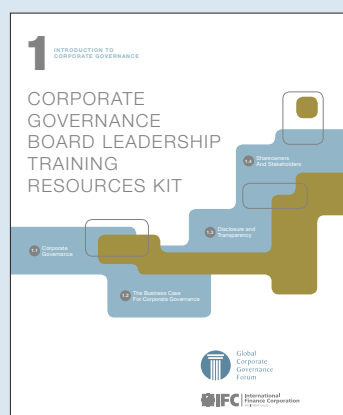
Prior to the sessions in Mozambique, the corporate governance trainers and MZ specialists all participated in the Board Leadership Training of Trainers program (Box 1) provided by IFC in Brazil since 2009. This common experience gave the trainers and MZ specialists a similar understanding of adult-learning techniques, materials adaptation, and high-level corporate governance knowledge—all of which helped them work together effectively. The MZ specialists also helped prepare the trainers by providing a larger context for their work in the

"The Governance begins to gain importance in public institutions and state-owned companies, with the objective to obtain more satisfactory results and to improve their image with the adoption of international practices."

Course participant Mr. Custodio Simbine

Director of Administration and Finance, Petroleos de Mozambique (Petro Moc),
for IBGC Focus Newsletter, April 2010.

Corporate Governance Board Leadership Training



The Board Leadership Training program builds capacity of trainers (training of trainers, ToT) who, in turn, train board directors in emerging-market and developing countries.

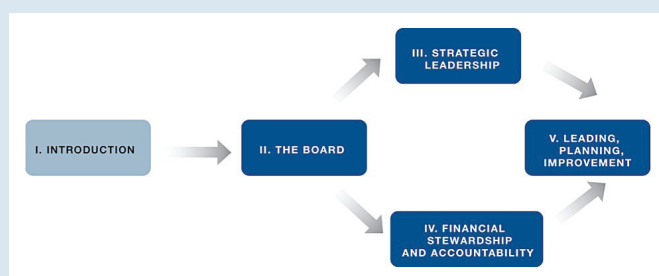
This initiative was launched in 2007 with the development of the Corporate Governance Board Leadership Training Resources Toolkit. The

toolkit is introduced to local markets through IFC's partner institutions, such as Institutes of Directors, corporate governance associations, and universities. Since its launch, trainers from about 60 countries have completed the ToT program.

Through multi-day trainings, experienced trainers learn how to use the Training Resources while strengthening their skills for conducting interactive training sessions designed to replicate the boardroom environment.

Training resources include:

- Experiential Learning Cycle methodology suitable for adult learners
- A comprehensive curriculum, with PowerPoint presentations and case studies to enhance the learning experience
- A modular curriculum design that allows for quick customization
- Free long-term support to the Forum-trained trainers through a dedicated online blog and collaborative space



Pre-Governance Education Program

Any organization, regardless of size, must be mature to adopt the corporate governance system as a whole. The introduction of corporate governance principles necessarily brings significant changes to an organization and is in fact a change-management process.

At the pre-governance stage, organizations rely heavily on a few talented people—most often the founders, who dominate the decision-making process. The command-control system is common, strategic and operational decisions occur informally, and there are very few written policies.

In short, the organization is the people who control it, with no organizational identity of its own and no perennity—one of the main purposes of good corporate governance. Therefore, the primary challenge in the pre-governance stage is to introduce a clear separation between governance and management. Both shareholders and executives must learn new roles and competencies, and at the same time the decision-making process needs to be reformulated to achieve a different dynamic.

To meet these requirements, the pre-governance education program should cover the following:

- Corporate governance concept and principles
- Corporate governance and management: what is the boundary?
- Differences between shareholder and management roles
- How to separate the shareholder decision-making process from management
- Executive governance: how to introduce the corporate governance principles into the day-to-day management
- Collegial decision-making, accountability, and transparency

The education program also should identify and address the following success factors that are critical to overcoming the pre-governance stage:

1. Control system: key performance indicators, internal auditing, accounting reports, norms, and procedures
2. Leadership: meritocracy, development, empowerment
3. Strategy: business model, planning, monitoring
4. Decision process: collegiality, rituals, and policies

country and offering important insights on its culture, corporate governance practices, management style, and organizational structures, as well as sharing other useful information gathered during their earlier visits to Mozambique.

This preparation phase strengthened IBGC's ability to deploy a training program with a consistent methodology and high-quality content. The mix of theory and practice, emphasizing the local reality, encouraged the participants to become more involved, and they left the training sessions feeling motivated and empowered to implement better corporate governance practices. The training sessions were so successful that IGEPE organized a seminar on corporate governance open to the public. The seminar attracted a great number of people, and the IBGC trainers provided their services pro bono.

Although the IGEPE-related training was on track, the plan for producing materials that could be applied in the future to both Mozambique and outer regions of Brazil was not going so smoothly. Initially, the idea was to produce these materials as online courses as a way to leverage the IBGC online training platform and avoid the future financial and time costs of having IBGC trainers traveling either to Mozambique or to Brazil's frontier regions. The MZ specialists researched possible solutions, but their feasibility report concluded that the online option was not viable mainly because of the lack of telecommunications infrastructure. Also, cultural preferences strongly favored face-to-face training over distance-learning methods.

Instead of the online course, the MZ specialists suggested developing a set of highly customized training materials for

a short but intense training to bring the level of corporate governance knowledge up to a point where the "normal" IBGC training course could be applied. Although the series of four trainings that IBGC delivered was highly customized, it was still based on the regular curriculum of IBGC and the Forum, because the trainees were mostly from IGEPE-connected companies that were, by local standards, relatively large and formalized. But the rest of the economy is dominated by small and medium enterprises (SMEs), often family-controlled and with minimum formality.

The MZ specialists suggested that most of the companies in Mozambique or in the Brazilian frontier regions were at a "pre-governance" level. On IFC's corporate governance matrix—a guide to assess the level of corporate governance development for companies—"pre-governance" companies do not even fit at the lowest level of corporate governance practices. For example, according to IFC methodology, Level 1 companies have basic formalities of corporate governance in place, such as a board of directors and basic internal control systems. To accommodate the needs of organizations in Mozambique and the frontier regions of Brazil, IFC supported IBGC in producing training materials at the "pre-governance" level in Portuguese. These new materials would first be tested in the Brazilian frontier regions and then disseminated in Mozambique. (Box 2)

IFC's Corporate Governance Progression Matrix and other tools are available at <http://goo.gl/xdqjQ>



SMEs are the backbone of the Mozambique's economy. (World Bank Photo Collection)



IBGC trainers give a Brazilian soccer t-shirt to a participant as a recognition for her hard work at the training held in Maputo. (2010)

Effective South-South collaboration needs third-party support, especially on the funding side.

Until Mozambique gained its independence in 1975, companies were usually managed or governed by foreigners rather than by locals, leaving only lower-level functions to Mozambicans. This led to a shortage of corporate professionals and much to do in governance and management education in Mozambique. In addition, in countries or regions where corporate governance is just taking off, the underdeveloped capital market provides no external stimulus or pressure on companies to implement good governance practices. During the interviews conducted by the MZ specialists, several local businessmen acknowledged that all of their new investments were funded by their own capital, because equity and loans from third parties were expensive or scarce.

One bright spot was that some organizations—mainly state-owned or mixed-capital—were obliged to implement corporate governance structures and procedures just to comply with the law. This environment led those involved to ask themselves what would be the best way to lay the foundations for corporate governance's growth.

A short-term approach would have been for the project to focus only on the training of state-owned companies (IGEPE's main constituency). But it was clear that the Mozambican economy (as well as that of Brazilian frontier regions) was built around SMEs, which functioned as contractors as well as supply and distribution chains for the state-owned enterprises. It became clear to all the parties involved that, to achieve strong development impact, the materials and trainings to be produced had to be useful for SMEs that had underdeveloped corporate governance and no resources or easy access to training.

To achieve strong corporate governance advances, a long-term process was called for. Development of the "pre-governance" training and materials is just the first step and needs to be followed by effective and sustained outreach to SMEs that do not always see

the reason—or have incentives—to overcome the pre-governance stage.

The key hurdle for such an innovative approach with a South-South collaboration was funding. Every institution involved had played its part in funding the project. For example, IBGC lowered trainers' fees and provided services pro bono, IGEPE took care of logistics and paid for travel expenses and fees, and the Forum supported the MZ specialists and shared its training materials, and so on. It was difficult to achieve sustainability, however, and to fund future training sessions. And this difficulty increased once the distance-learning approach was discarded.

IBGC is currently finalizing the "pre-governance" training curricula, but its rollout in Mozambique might be challenging because SMEs are beyond IGEPE's immediate area of responsibility. Unfortunately, it is also

difficult to secure all the funding, staff, and time needed to train and evaluate this type of improvement—even more so if some of the resources for the project depend on funding provided by institutions that measure success on the basis of short-term gains or quick wins.

People from emerging countries tend to be more sensitive to the context and problems of other emerging countries.

Although a common language was the factor that first appeared as the driving rationale for IBGC to support corporate governance training in Mozambique, other key reasons to explore a South-South dynamic became clear during the planning sessions with the Mozambican counterparts. For instance, the cultural gap between Brazil and Mozambique is significant, but it still is smaller than it would be relative to a more developed country. Social, economic, and cultural realities were better understood between countries with similar stages of development, thus increasing the empathy among instructors and participants.

The high level of empathy between the parties helped foster a shared understanding that it would be a long process. This helped forge a mutual commitment to persevere through funding and other difficulties. Every small step—such as producing and adapting materials in Portuguese when most of the material available in corporate governance is in English—was of great value. Both institutions also gained an international experience that would be useful not only to enhance their prestige but also to support their future service to a cadre of companies and investors with interests in both countries.

The one that gives wins, too!

International development stories often focus on the benefits to the recipient of the assistance. In South-South collaboration, the service provider can reap great benefits as well. Through this project, for example, IGEPE exposed its audience to a first-rate training experience.

On the other side, contact with new realities broadened the experience of the IBGC trainers and opened their eyes to new business opportunities. IBGC regularly promotes “technical journeys” —visits to leading corporate governance capacity-building institutions in more advanced economies, such as France, Sweden, the United Kingdom, or the United States, to expose its trainers to high-quality training experiences and corporate governance development. This South-South project provided an opportunity for IBGC to complement the technical journeys by exposing some of its trainers to a difficult and challenging corporate governance environment in a more adverse context.

IBGC had to develop a tailor-made educational program, consisting of four training sessions, and deploy it in a complex environment. This provided IBGC the necessary background to explore the possibility of developing in-house tailor-made trainings in Brazilian frontier regions such as the North-East. Importantly, through this experience both sides found much more in common than just the shared language, and they are building a foundation for sustainable long-term collaboration.

Final thoughts

Knowledge transfer is a delicate process. It is not reasonable to imagine a one-size-fits-all model independent of the social, economic, and cultural characteristics of each region or country. In this sense, the South-South collaboration offers an advantage, because when it is well-planned it reduces the gaps and entrance barriers for knowledge transfer. To make it work

effectively, though, it is necessary to have a vision beyond the process itself. The systemic restrictions and changing conditions in underdeveloped or developing regions or nations might be so powerful as to outweigh any good intentions and objectives and put success out of reach.

Third-party funding and other support for such projects also needs to be addressed. Development institutions are used to driving and controlling their projects, but that model does not work well in South-South collaboration. Instead, the institutions need to provide tools, guidance, and resources but let the “South” parties lead the effort. This requires a paradigm shift in project design, financing, and supervision—a shift that development institutions often find difficult to make.

The institutions involved in this South-South collaboration truly believed that it is imperative to improve corporate governance where it is most difficult to do so. Thus they studied the risks, set the rationale and objectives, were flexible enough to reorganize their approach, and moved forward. Although it is too early to evaluate the process and determine whether it is a definite success, we are sure that the experience itself is a positive one.

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Another Example of Successful South-South Collaboration: Network of Corporate Governance Institutes in Latin America

This is the story of a group of corporate governance institutes in Latin America that realized that there is strength—and leverage—in numbers. By forming a network, these institutes benefited from otherwise inaccessible information and know-how, improved their performance, and enhanced their reputations in their own countries. In a short time, the Latin American Network of Corporate Governance Institutes (IGCLA, its Spanish acronym) has empowered its members with a network of connections and tools.

The IGCLA is composed of 11 institutes—from Argentina, Bolivia, Brazil, Colombia, Costa Rica, Chile, Ecuador, El Salvador, México, Panama, and Peru. This publication outlines key steps that the IGCLA has taken to achieve success.

Available at: <http://tinyurl.com/l3qpew7>



The Network Meeting, Lima. (2012)

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