

TC ABSTRACT

I. Basic project data

▪ Country/Region:	Regional
▪ TC Name:	Enhancing Corporate Governance Regulation for Debt Issuance using Peruvian and Chilean Experiences.
▪ TC Number:	RG-T2285
▪ Team Leader/Members:	Frank Nieder (IFD/CMF)
▪ Indicate if: Operational Support, Client Support, or Research & Dissemination.	Client Support
▪ If Operational Support TC, give number and name of Operation Supported by the TC:	
▪ Reference to Request ¹ : (IDB docs #)	37852619
▪ Date of TC Abstract:	June 24, 2013.
▪ Beneficiary	Chile and Peru.
▪ Executing Agency and contact name	ECLAC
▪ IDB Funding Requested:	US\$38,000
▪ Local counterpart funding, if any:	US\$77,000
▪ Disbursement period (which includes execution period):	10 months
▪ Required start date:	August 1, 2013.
▪ Types of consultants (firm or individual consultants):	Individual
▪ Prepared by Unit:	IFD/CMF
▪ Unit of Disbursement Responsibility:	VPC/CCH
▪ Included in Country Strategy (y/n);	No
▪ TC included in CPD (y/n):	No
▪ GCI-9 Sector Priority:	Institutions for Growth and Social Welfare

II. Objective and Justification

Objectives: (i) Improve the effectiveness of corporate governance regulation for debt issuance in Chile and Peru; and (ii) Enhance the understanding of the role of corporate governance in promoting private sector debt issuance in LAC capital markets.

Justification. Considerable work has been done on understanding the link between the development of equity markets and corporate governance, and good practices for regulation in this area are largely understood. However, the relation between corporate governance and debt issuance, and how to appropriately regulate corporate governance for debt issuance is less well understood. This proposed project will generate a greater understanding of the relationship between corporate governance and its regulation with corporate debt market development and clarify lessons learned for both regulators and

¹ A copy of the [Letter of Request](#) has been attached to this Abstract.

capital market participants. The project also builds regulatory capacities for debt securities by providing training to capital market regulators in Chile and Peru. While these regulators are quite strong, the program will build expertise in an area that has not been a priority in the past. Moreover, as leasing financial market regulators their implementation of the enhanced regulations and regulatory procedures developed by the program should create a catalytic effect for their adoption by other regulators in the Latin American and Caribbean Region.

GCI-9 Priorities. By supporting the development of corporate debt markets, the project is consistent with the private sector development components of the Growth and Social Welfare priority of GCI-9.

III. Description of activities and outputs. The project would have two components.

Knowledge Generation, Lessons Learned and Dissemination. This component focusses on the conduct of analyses to generate further knowledge on the relationship of corporate governance and the development of corporate debt markets, and the role that regulation and financial intermediaries play in establishing the relationship. This would include the conduct of two case studies on this issue in Chile and Peru. The results from these case studies would be used to provide further input for an overall analysis of the issue and draw lessons learned from these experiences. The lessons learned study would place a special focus of the role of investment banks, on market preferences/requirements for corporate governance for corporate debt issuance, and the consequent impact on the corporate debt market. The studies will be published book, CD and USB form, and ECLAC will post the publication on their web-site.

Institutional Strengthening of Capital Market Regulators. Based in large part on the results of the studies and overall analysis, separate training workshops will be conducted for the capital market regulators in Chile and Peru. Training materials will include the studies produced. The consultant who prepares the lessons learned paper will likely lead the training workshops.

IV. Budget

Indicative Budget

Activity/Component	Description	IDB/Fund Funding	Counterpart Funding	Total Funding
Component 1		25,000	70,000	95,000
Chile and Peru Case Studies	Consultancy to prepare case studies.	10,000	40,000	50,000
Lessons Learned Paper	Consultancy to prepare paper.	15,000	6,000	21,000
Dissemination: Workshop	Workshop of experts, regulators and market participants to review studies and paper.		10,000	10,000
Dissemination: Publication of Studies and Paper	Publication of 300 copies of the studies and paper in book form, and 50 copies in CD and USB form.		14,000	14,000
Component 2		13,000	0	13,000
Training of Capital Market Regulators in Chile and Peru	Consultancy to provide training based on results from case studies and lessons learned.	13,000		
Administration			7,000	7,000

TOTAL	38,000	77,000	115,000
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V. Executing agency and execution structure

The Economic Commission for Latin America and the Caribbean (ECLAC) will be the executing agency. The UN agency charged with conducting research, providing technical assistance, and disseminating knowledge on social and economic issues in Latin America and the Caribbean. 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 and leading other technical assistance programs on corporate governance for debt issuance. ECLAC has served successfully as the executing agency on numerous IDB Technical Cooperation operations. The letter of request from ECLAC is attached.

Additional institutions will be involved in the implementation of the project, but ECLAC maintains overall responsibility for the successful execution of the operation. The IDB and CAF will assist in the review of the products, while the capital market regulators in Chile and Peru will assist in the supervision of the consultants providing the training. All four institutions will also be involved in the review of the Terms of Reference for the project consultancies. The capital market regulators have communicated to ECLAC their requests to participate in the program.

VI. Project Risks and Issues.

Effective dissemination of results. While it is clear that the training should be effective given that the analysis focuses on Chile and Peru, the other aspect of success is that the knowledge generated is transferred effectively to interested parties throughout the region. These include market regulators, market participants, financial intermediaries and other development institutions. To achieve this ECLAC will invite experts from these different type of institutions to the workshop to review the studies, and will also utilize its contacts with these different types of institutions to inform them of the key results and to distribute the publications. The IDB and CAF will also help in the distribution of the publications.

VII. Environmental and Social Classification

Based on the Environmental and Social Safeguard Filter, the proposed technical assistance has been classified as category C. No potential negative environmental and/or social impacts of the TC were identified and therefore no mitigation strategy is required to address any impact. See [Safeguard Policy Filter Report \(SPF\)](#) and [Safeguard Screening Form \(SSF\)](#).