

**A STUDY OF CORPORATE  
GOVERNANCE AND  
MANAGEMENT PRACTICES  
IN ACBF-SUPPORTED  
INSTITUTIONS**

**A STUDY CONDUCTED BY THE  
CENTRE FOR CORPORATE GOVERNANCE,  
NAIROBI, KENYA**

**FOR THE  
AFRICAN CAPACITY BUILDING FOUNDATION,  
HARARE, ZIMBABWE**

***DECEMBER 7, 2005***

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## **EXECUTIVE SUMMARY**

The main purpose of this study was to establish the corporate governance practices that are currently obtaining within the ACBF-supported institutions and make recommendations that will ensure the adoption of the highest standards of corporate governance for efficiency and sustainability within the institutions.

The study was conducted through structured interview schedules and questionnaires, which were administered within the nine ACBF-supported institutions, covering a sample size of 71 respondents. Data analysis was undertaken both quantitatively and qualitatively. Quantitative data were subjected to Univariate Analysis of Variance to test statistically significant differences between and within means.

The main expected outputs of the study were: comprehensive instruments for analyzing corporate governance and management practices, a detailed analysis of corporate governance and management practices and recommendations for effective corporate governance procedures and practices in ACBF-supported institutions.

Some of the key findings from the study were as follows:

- All institutions studied do not conduct Annual General Meetings (AGMs), except IPAR.
- A significant number of directors and senior managers do not have an effective understanding of what their roles are.
- Appointment procedures for directors are not well spelt out in most of the institutions studied.
- Most directors have been appointed to their boards and committees without due regard to the mix and relevance of skills and competencies.
- None of the boards or committees of the institutions conducted any formal induction, training or development programmes for their directors.
- There are no systematic procedures for appointment of chairmen of boards of institutions.
- The appointment procedures and tenure of service for chief executive officers and senior managers are not clearly spelt out.

- Most of the institutions studied have neither created nor actualised board committees.
- Most board members and senior managers are not conversant with the strategic plans, values, vision, mission and objectives of their institutions.
- Risk management and conflicts of interest are not given the emphasis they deserve.
- Most institutions do not have succession plans and effective monitoring and evaluation procedures.
- Statistical tests generally showed no significant differences between and within the sampled groups.

Some of the major recommendations made in this study are:

- All institutions should establish Annual General Meetings (AGM);
- The roles, functions and responsibilities of both the boards and management should be clearly spelt out in board manuals or charters;
- The appointment procedures and practices for directors should ensure the attraction of people who possess appropriate mix of skills and competencies;
- The chairmen of boards should be appointed by the boards themselves through a competitive selection process and their tenure should be clearly spelt out;
- A negotiated arrangement should be agreed between the parent ministries/universities, donors and directors to enhance independence and autonomy of boards;
- The boards/steering committees of all the institutions should hold at least four meetings annually;
- All institutions should design, develop and ensure implementation of policies that determine the conduct of broad activities within the institutions;
- Identify their key risk areas and elaborate mitigating measures;
- Directors should be obligated to disclose situations where they have conflicts of interest;
- Put in place clear succession plans at all levels of their organisations to ensure continuity and efficiency;
- Develop and implement well defined communication channels and procedures; and
- Identify and actualise key performance indicators;
- The directors should play central roles in monitoring the financial performance of their institutions.

## **1.0 CHAPTER ONE:**

# **BACKGROUND AND CONCEPTUAL FRAMEWORK OF THE STUDY**

## **1.1 INTRODUCTION**

Over the years since its establishment in February 1991, the portfolio of projects and programs of the African Capacity Building Foundation (ACBF) has grown phenomenally. Today, the Foundation manages a portfolio of about 100 projects and programs and disburses about US\$30 million per annum on its operations. Given this level of activities, it is vital that a sound portfolio is maintained, both in terms of operational performance and institutional governance. Barring the case of the African Institute for Policy Analysis and Economic Integration (AIPA), South Africa to which funding support was terminated in 1996, the Foundation has never had a cause to cancel its support to a project for poor governance. The share of problem projects in the portfolio is therefore not significantly different from zero. This, however, is not to suggest that there are no cases of projects requiring support on the management and governance front.

## **1.2 A CONCEPTUAL FRAMEWORK OF CORPORATE GOVERNANCE**

Corporate governance is concerned with maintaining the balance between economic and social goals and between individual and communal goals. Corporate governance refers to the systems by which corporations are directed, controlled and held to account. Indeed, it is the manner in which the power of, and power over, a corporation is exercised in the stewardship of its assets and resources so as to increase and sustain shareholder value as well as satisfying the needs and interests of all stakeholders (Centre for Corporate Governance, 2001). The corporate governance framework encourages efficient utilisation of resources and enhances accountability for the stewardship of those resources. The aim is to align as nearly as possible the interests of individuals, corporations and society" (*Sir Adrian Cadbury in 'Global Corporate Governance Forum', World Bank, 2000*).

Although the need for corporate governance has been acknowledged since corporations were first formed, greater awareness, renewed vigour and emphasis can be traced down to the early 1990s in the United Kingdom. This was occasioned by a number of corporate scandals, particularly the companies linked to the late Robert Maxwell, which necessitated the setting up



of the Cadbury Committee in 1992 to substantially review corporate governance issues in the banking sector. The Committee recommended, among other issues, the separation of posts of the Chairman and the Chief Executive Officer, appointment of a significant number of independent non-executive directors on boards and the establishment of Audit Committees. In Africa, the King Committee, chaired by Mervin King, was formed in 1992 under the auspices of the Institute of Directors with the main aim of promoting the highest standards of corporate governance in South Africa. The King 1 Report was released in 1994, with the King 11 Report being produced in 2001. The more recent developments in corporate governance include the Sarbanes-Oxley Act of July 2002 in the US and the Higgs and Smith Report of January 2003 in the UK.

### **1.2.1 The Broad Aims of Corporate Governance**

The broad aims of corporate governance are:

- Ensuring that corporations are answerable to all stakeholders not just shareholders;
- Ensuring that corporations are run according to the laws and standards of the country, and are not a power unto themselves;
- Creating a framework for the control of all types of corporations, some of whose interests may not coincide with national interests;
- Controlling multinationals, which can dominate the local economy, by ensuring that corporations behave in a socially responsible way, covering such issues as environmental concerns, equal opportunities, support for good causes and employment;
- Protecting all categories of investors;
- Ensuring increased profitability, efficiency, effectiveness, responsibility and responsiveness;
- Ensuring transparency, accountability, probity, sustainability and competitiveness;

Corporate governance is basically concerned with responsible leadership of corporations. That is to say, leadership that is transparent, answerable and accountable to all stakeholders of the corporation. The fundamental aim of corporate governance is the achievement of the delicate balance between economic, social, individual and corporate goals by striving to align as closely as possible the interests of the individuals, the corporation and the society as a whole. The

modern corporate environment emphasises the separation of ownership from control so that the directors play a major role in directing and controlling the affairs of the corporation.

### **1.2.2 The 22 Core Principles of Corporate Governance**

Good corporate governance is premised on the following 22 core principles (Centre for Corporate Governance, Training Manual for Company Directors 2002). The conceptual framework of this study was based on these 22 core principles of corporate governance:

1. Authority and duties of members (shareholders) to ensure the appointment of an effective, balanced and accountable board of directors;
2. Recognition and protection of the rights and obligations of members (shareholders) through efficient communication systems;
3. Ensuring that the corporation is headed by a board that provides an effective, strategic and enterprising leadership;
4. Ensuring that the board has a balanced mix of proficient directors with independent judgement;
5. Ensuring that the directors determine the purpose, value and strategies of the corporation;
6. Ensuring that there is a proper management structure that functions effectively to maintain corporate integrity, reputation and responsibility;
7. Ensuring that there are effective, monitoring and evaluation systems within the corporation;
8. Ensuring effective accountability to all members (shareholders);
9. Ensuring identification of, and effective relationships with, all stakeholders;
10. The maintenance of an effective balance of power within the board and the entire corporation;
11. Maintaining regular reviews of the systems, processes and procedures of the corporation;
12. Ensuring regular assessment of the performance of the board, individual directors, the chairman and the chief executive officer;
13. Implementing effective induction and development programmes to strengthen the corporate leadership;
14. Ensuring that the board appoints the chief executive officer, participates in the appointment of senior management and puts in place an effective succession plan;

15. Ensuring that the technology, skills and systems used in the corporation are adequate;
16. Identifying key risk areas and key performance indicators of the corporation's business;
17. Defining, promoting and protecting the ethics, beliefs and culture on which the corporation premises its behaviour;
18. Implementation of effective corporate social responsibility programmes;
19. Recognition and utilization of professional skills and competencies;
20. Ensuring that the corporation complies with all relevant laws, regulations, governance practices, accounting and auditing standards;
21. Maintaining an effective communication system between the corporation and all its stakeholders;
22. Development and issuance of a detailed annual corporate governance statement.

The modern and more inclusive framework of corporate governance expects corporations and economies alike to attract investments and strengthen their foundations for long-term economic performance and competitiveness in many ways. For instance, by demanding transparency in all types of corporate activities, corporate governance aims at attacking the supply side of corruption. In addition, corporate governance practices improve the management of a corporation by enabling the board and management to develop a sound corporate strategy. Likewise, adopting standards of transparency in dealing with investors and creditors as a strong system of corporate governance helps prevent systemic banking crises even in developing countries where most companies are not listed on the stock exchange.

It has been found out through research studies that countries with stronger corporate governance practices have much larger and more liquid capital markets. Comparisons of countries that base their laws on different legal traditions show that those with weak systems tend to result in most corporations being controlled by dominant investors rather than a widely dispersed ownership structure. Indeed, instituting corporate governance practices greatly enhances the public's faith in the integrity of the privatization process and helps ensure that a country realizes the best return on its investments which in turn stimulates employment and economic growth. In other words, corporate governance is no longer seen as a restricted approach to the running of corporations alone but as an integrated approach that also encompasses the broader socio-political environment.

### **1.3 STATEMENT OF THE PROBLEM**

For a very limited number of projects, instability in management and leadership, leadership ineffectiveness, blurred division of responsibilities between Board and Management, inadequate management structure, improperly constituted Boards, and lack of clearly defined tenure of Board membership are among anomalies that in the past constituted some constraints to effective project implementation. Over the years, in addition to the foregoing, management and governance-related problems have also arisen from the following, among others:

- Incidence of high turnover of project directors and finance managers, which in some cases led to the inevitable problem of ACBF missions having to deal with project acting staff members who did not have sufficient information and knowledge about the project and were not capable of making effective decisions. Akin to this are problems, which attended constant change of project coordinators.
- The need to develop an institutional framework for addressing governance issues arising from fundamental changes in a project institutional structure and governance as illustrated by the experience with the Southern Africa Regional Institute for Policy Studies (SARIPS), Zimbabwe, and the National Economic Council (NEC), Malawi, the original institutional frameworks for both of which were fundamentally altered by the project promoters and project activities transferred to some other units of the succeeding new institutional structure.
- The need to address the challenge of building effective checks and balances in the management of finances of a project implemented in a host institution that is supposed to provide an operational framework in terms of functional and responsive systems, processes and procedures, but which turns out to be ineffective, as exemplified by ECOWAS and UNAM.
- The need to strengthen financial management and accountability in order to avoid incidences of misappropriation of funds.
- The existence of tension between a Project Coordinator and the Director of the host institution, as a result of inadequately defined roles and responsibilities in the management of the project and significant differences in the level of remunerations.
- Lack of or inadequate teamwork and over-concentration of project management responsibilities on the Project Director.

- Insufficient communication and poor delegation of duties among members of the management team, which often times restrict the degree to which the management of the project has access to innovative ideas and shared vision.

From the foregoing, what is evident is that continuous improvement in corporate governance practices will add value to the effectiveness of the operations of the projects and programs in the Foundation's portfolio. However, in the application of corporate governance principles to capacity building institutions, it is important to note that these institutions are not the same as typical corporate entities. They nonetheless have areas of commonalities that will benefit immensely from good corporate governance practices. In the context of capacity building institutions, corporate governance looks at the organizational and policy framework of institutions - from their governance structures, rules and regulations, through to performance and long-run sustainability. The integrity of capacity building institutions is particularly central to their performance, sustainability and the overall success of the intervention process.

#### **1.4 PURPOSE AND OBJECTIVES OF THE STUDY**

The main purpose of this study was to establish the corporate governance practices that are currently obtaining within the ACBF – Supported Institutions and make recommendations that will ensure the adoption of the highest standards of corporate governance for efficiency and sustainability within the institutions.

The study aimed to achieve the following specific objectives:

1. Assessing the extent to which current management and governance practices in the Foundation's project portfolio are consistent with good corporate governance practices
2. Reviewing the disclosure, reporting and accountability mechanisms within the institutions
3. Evaluating the board/management dynamics and establishing the finesse of the management/board interface
4. Analyzing the extent to which the organizational structures, policies, systems and practices are effective
5. Determining the levels of sustainability of the institutions

6. Establishing guidelines for best practices in corporate governance in the institutions benefiting from the Foundation's funding support
7. Proposing organizational structures, policies, systems, processes, procedures, codes, standards, indicators, practices, as well as mechanisms (promotional and monitoring) for ACBF-funded projects to enhance commitment to good management and governance practices

## **1.6 SCOPE AND SAMPLE**

The study reviewed relevant institutional/corporate governance practices and experiences within the institutions.

### **1.6.1 Scope:**

These practices and procedures included:

- Appointment procedures for directors and the relevance of their qualifications/experience
- Powers and responsibilities of directors
- Nature of conflicts of interests and the extent to which the board deals with them
- Policies and procedures regarding board and management compensation
- Reporting, disclosure and communication policies and practices
- Determination and implementation of corporate policies and strategies
- Establishment and delegation of responsibilities to board organs
- Appointment procedures for chairmen, CEOs and senior management
- The linkage between corporate objectives and the impact of corporate activities
- The extent of clarity and functionality of internal control procedures
- The extent of corporate efficiency, effectiveness and sustainability
- Availability and implementation of the board instruments
- The scope of board dynamics
- Organizational structure and dynamics
- Clarity of responsibilities between the board and the management
- Separation and clarity of responsibilities between chairmen of the boards and the chief executives
- The establishment of performance indicators and achievability of corporate targets
- The human resource policies and the extent of their implementation

### **1.6.2 Sample:**

The sample was drawn from the following nine ACBF-supported institutions:

- Programme de Troisième Cycle Interuniversitaire (PTCI), Burkina Faso
- Economic Policy Management Training Program (EPM), Cameroon
- MACROFOR, Democratic Republic of Congo
- Centre for Policy Analysis (CEPA), Ghana
- Institute of Policy Analysis and Research (IPAR), Kenya
- Macroeconomic and Financial Management Institute for Eastern and Southern Africa (MEFMI), Zimbabwe
- Centre for Political Studies Development (CEPOD), Senegal
- Economic and Social Research Foundation (ESRF), Tanzania
- The National Council of NGOs, Kenya

### **1.7 EXPECTED OUTPUTS**

The major outputs of the study are and will be:

- Comprehensive instruments for analyzing corporate governance and management practices between and within ACBF-supported institutions
- A detailed analysis of corporate governance and management practices within the nine ACBF-supported institutions

### **1.8 EXPECTED OUTCOMES/IMPACTS**

The major outcomes of the study will be:

- Establishment of effective corporate governance procedures and practices in ACBF-supported institutions
- Guidelines on good corporate governance practices in ACBF-supported institutions
- Establishment of an effective interface between the board and management
- Enhanced accountability, disclosure, reporting and communication practices

## **1.8 LITERATURE REVIEW**

The most recent survey conducted for major international investors in global markets was conducted by McKinsey in 2002. In this survey 75% of institutional investors, covered in the study, indicated that board practices are at least as important as financial performance when evaluating investment and that 80% of investors indicated that they would pay more for a well governed company. McKinsey's studies have generally been cited as proof that good corporate governance pays.

In another opinion survey of directors in South African listed companies, Genkines–Ferrett (2001) reported that 85% of respondents believed corporate governance was of utmost importance in contributing towards investor confidence in a company, 83% rated corporate governance of utmost importance in contributing to an organization's performance. Elsewhere, Dulewicz and Herbert (1997) sampled opinions of chairmen of 134 listed companies to test a model of good practice for directors. In their survey, they identified 16 key output related tasks of boards. Some of these key tasks in order of importance were: “determining the company's mission and vision to guide and set the pace for its operations”; “taking account of the legitimate interest of shareholders and other stakeholders who have the capacity to effect attainment of the company's objectives”; “reviewing and evaluating present and future opportunities, threats and risks in the external environment”; “determining corporate and financial strategic options”; reviewing and selecting those to be pursued and deciding the resources, contingency plans to support them”; and “ensuring that internal control procedures provide valid and reliable information for monitoring operations and performance”.

In another study, related to McKinsey's survey, Newel and Wilson (2002) identified that companies across emerging capital markets, with better corporate governance had higher price-to-book ratios indicating that investors will pay a premium for a well governed company. Earlier, Gill (2001), ranked companies on corporate governance practice on some objective criteria and found out that better governed companies performed significantly better with regard to invested capital and share price.

In a more recent study, Webley and More (2003) reported a significant correlation between companies which appeared to have had an embedded code of ethics and financial performance. They found out from a sample that UK listed companies with a code of ethics had on average



doubled the economic value per year between 1997 and 2000. They further found out that these companies had more than 5 times the market value added per year than a sample of listed companies without a code.

MacAvoy and Millstein posit that board professionalism and independence correspond with better economic value added. According to them, a professional board should have independent board leadership, well established rules or guidelines for conducting the corporation and the relationship between the board and management and that directors should meet without management. Khoza and Adam (2005) assert that when a company has good corporate governance practices in place, the board can rely with confidence on its processes and systems, particularly the mechanisms for control and monitoring. In the same token, they argue that in a company with poor governance processes, a board is reluctant to delegate authority and tends to centralize decision-making resulting in slow decision-making, disempowered management and an unmanageable workload for the board.

## 1.9 METHODOLOGY

This research was conducted through structured interview schedules and questionnaires, which were administered within the nine ACBF-supported institutions. A guided stratified random sampling was applied to select directors and senior managers from each institution as follows: MEFMI, 2 board members, 3 managers; ESRF, 4 board members, 5 managers; EPM, 4 board members, 4 managers; MACROFOR, 8 board members, 2 managers; CEPA, 4 board members, 4 managers; PTCI, 6 board members, 4 managers; CEPOD, 7 board members, 6 managers; IPAR, only 3 managers; and NGO Council, 2 board members, 3 managers, thus, giving a total sample size of 71 as shown in Table 1.

**Table 1: The Sample Size**

INSTITUTION	BOARD MEMBERS	MANAGERS
CEPA	4	4
CEPOD	7	6
IPAR	0	3
EPM	4	4
ESRF	4	5
MACROFOR	8	2
MEFMI	2	3
PTCI	6	4
NGO Council	2	3
<b>TOTAL</b>	<b>37</b>	<b>34</b>

It had been expected that the sampling would include at least 5 board members and 5 senior managers in each institution. Difficulties were, however, encountered: in IPAR where no board member was available by the management for the study; in the NGO Council it was only possible to meet two board members and in MEFMI, only two board members were met elsewhere during their board meeting in Barbados. These difficulties impeded the achievement of the planned sample size.

Caution was applied to ensure that the sample of directors included the long-serving and the newly-appointed directors. The sample also included all chairmen, chief executives and at least two key executives with direct reporting lines to the board. Due to time constraints, the data collection did not cover specific categories of employees, institutional clients and stakeholders.

The detailed questionnaire was administered to the respondents who were asked to complete the instrument as completely as possible. The comprehensive interview schedule preceded the administration of the questionnaire.

Data analysis was undertaken both quantitatively and qualitatively. Quantitative data was subjected to Univariate Analysis of Variance to test statistically significant differences between and within means. The level of statistical significance, being set at 0.05. In some cases, the confidence levels were set much higher, at 0.076. Qualitative data analysis involved in-depth descriptive analysis of the relevant data.

#### **1.10 DURATION OF STUDY**

The data collection for the study was conducted over a period spanning three months from August 1 – November 15, 2005. Data analysis and report writing were undertaken between November 16 and December 7, 2005. The draft report was sent to ACBF on December 7, 2005.

## **2.0 CHAPTER TWO:**

### **PROFILE OF THE INSTITUTIONS AND ANALYSIS OF CONSTITUTING INSTRUMENTS**

#### **2.1 THE MACROECONOMIC AND FINANCIAL MANAGEMENT INSTITUTE OF EASTERN AND SOUTHERN AFRICA (MEFMI), ZIMBABWE**

##### **2.1.2 Introduction**

The Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI), located in Zimbabwe, is a regionally owned institute with 12 member countries namely Angola, Botswana, Kenya, Lesotho, Malawi, Mozambique, Namibia, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe.

MEFMI was launched in 1992 as a short-term pilot project under the name Eastern and Southern African Initiative in Debt and Reserves Management (ESAIDARM). The mandate of ESAIDARM was capacity building in external debt and reserves management amongst the Eastern and Southern Africa countries. The short but intensive experiences of ESAIDARM's pilot phase had proved that a regional approach to building sustainable human and institutional capacity in macroeconomic and financial management was both prudent and effective.

In order to provide economies of scale, cost sharing, and opportunities for networking, a collaborative regional approach was found to be the only viable method of tackling many of the macroeconomic and financial management issues in the member countries. Therefore, member countries decided to widen the scope of the institute of its activities by expanding its mandate to cover a broader spectrum of macroeconomic and financial management by broadening the country membership and increasing the number of governmental institutions benefiting from its activities. The Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI) was thus formed in 1997 in order to meet this broadened mandate of the institution.

##### **2.1.3 Vision**

MEFMI's vision is to continue to be a centre of excellence in sustainable capacity building in selected critical fields in central banks and ministries of finance and of planning in Eastern and Southern Africa.

#### **2.1.4 Mission**

MEFMI's mission is to continue to build sustainable capacity and foster best practices in central banks and ministries of finance and of planning in Eastern and Southern Africa, while also helping them to constantly identify upcoming challenges, risks and opportunities.

#### **2.1.5 Objectives**

The primary objectives of MEFMI are to create a consultative forum to promote policies and programmes for capacity building in debt and reserves management within the countries of the region, to establish new and enhance ongoing capacity building in debt and reserves management and to establish and coordinate training programmes in macro-economic and financial management.

#### **2.1.6 Governance**

The supreme governing body of MEFMI is the Board of Governors which sets the policy of the Institute. The Executive Committee, appointed by the Board of Governors, oversees the day-to-day operations of the institute and reports to the Board. According to the constitution, members of good standing are represented on the Board of Governors by heads of central banks or permanent/principal secretaries of the ministry that is responsible for handling debt and/or the reserves and/or macro economic and financial management of the country. The Board holds one meeting a year but can hold other meetings as it may decide or when called upon by one fourth of its members.

Duties of the Board of Governors include determining the policy of the institute, approving the annual budget, annual report and audited financial statements, admitting new members, appointing the Chairperson and Vice Chairperson of the Board of Governors and members of the Executive Committee and appointing the Executive Director of the Institute on recommendation of the Executive Committee.

An Executive Committee was established to oversee the day to day activities of MEFMI. The Committee consists of the Vice Chairman of the Board of Governors, who is chairman of the Executive Committee, four other voting members and the Executive Director who is an ex-officio non-voting member of the Committee. The voting members, other than the Chairman, do not necessarily have to be members of the Board of Governors. The Executive Committee meets at least twice a year and may conduct additional meetings as may be required to effectively carry

out its business. Responsibilities of the Executive Committee include overseeing day to day operations of the institute, approving work plans and programmes, preparing budgets and accounts, preparing policies, procedures, rules and regulations and preparing reports.

## **2.2 THE ECONOMIC AND SOCIAL RESEARCH FOUNDATION (ESRF), TANZANIA**

### **2.2.1 Introduction**

The Economic and Social Research Foundation (ESRF), located in Tanzania, was established in 1993 as an independent non-governmental research institute for capacity building in economic and social policy analysis. It began its operations in April 1994.

### **2.2.2 Vision**

ESRF's vision is to become a regional and international centre for excellence in capacity building for policy analysis and development management, policy research, and policy dialogue by the year 2015.

### **2.2.3 Mission**

ESRF's mission is to build capacity in economic and social policy analysis and development management nationally and internationally.

### **2.2.4 Objectives**

The primary objectives of the Foundation are to strengthen capabilities in policy analysis and decision making, to promote informed policy dialogue involving the relevant actors in the design and/or implementation of economic and social policies, to initiate and undertake research and studies in economic and social policies and to cooperate with other institutions in policy research, training and exchange of staff.

### **2.2.5 Governance**

The governance framework of the Foundation consists of a Board of Trustees, the Executive Committee and the management. The Board of Trustees is, by law, composed of not less than 5 and not more than 10 members drawn from government, academic institutions, the private sector and civil society and is responsible for governing ESRF. The duties of the Board of Trustees include: setting priorities for the Foundation's work and approving its programme and

operational plans, approving the annual budget of the Foundation, approving such rules and regulations as may be necessary for the proper conduct of the Foundation's affairs, electing among its members on its first and subsequent meetings a chairperson and vice-chairperson and appointing the Executive Director and other senior staff of the Foundation.

The constitution of ESRF requires the establishment of an Executive Committee of the Board of Trustees to be composed of not less than three and not more than seven members elected by the Board of Trustees. The board is also expected to elect the Chairperson of the Executive Committee from the board members. The duties of the Executive Committee are expected to include advising on strategies to be adopted by the Foundation in implementing its objectives and activities, considering the annual budget and submitting recommendations to the Board of Trustees and examining progress reports and making recommendations to the Board of Trustees. This committee has so far not been fully operational.

## **2.3 THE CENTRE FOR POLICY ANALYSIS (CEPA), GHANA**

### **2.3.1 Introduction**

The Centre for Policy Analysis (CEPA), located in Ghana, was established in 1993 as an independent, non-governmental think tank to provide rigorous analysis and perspectives on economic policy issues in Ghana and the developing world.

### **2.3.2 Vision**

CEPA's vision is to be a leading independent think tank and a definitive authority on economic policy issues affecting Ghana, the ECOWAS sub-region and Africa.

### **2.3.3 Mission**

CEPA's mission is to facilitate and promote open and pro-active discussions on key issues which will impact positively on poverty reduction.

### **2.3.4 Objectives**

The primary objectives of CEPA are to provide alternative policy options to policy makers and other stakeholders through rigorous research and policy analysis, to enhance the capacities of other institutions in Ghana through training, networking and internship and to disseminate and

publish economic information in order to raise public awareness of economic and development issues.

### **2.3.5 Governance**

The governance structure of CEPA consists of two key organs, namely, the Board of Directors known as the Council and the Secretariat headed by the Executive Director. It also has a management committee and a programmes committee. The Council, which consists of not less than two or more than seven members, is the highest governance organ of CEPA and is made up of representatives drawn from various sectors of Ghanaian society. The Council sets broad policy guidelines for CEPA's operations, formulates policies, and approves CEPA's annual work programme, budget and audited accounts.

The Executive Director heads CEPA's Secretariat and is responsible for the management of the Centre and the determination of the work programme, including its implementation and quality control of the outputs. There are two committees of the management, namely: the Management Committee and the Programmes Committee. The Management Committee includes all programme coordinators and the Finance and Administrative Manager (who serves as secretary to the committee) and is chaired by the Executive Director. The Management Committee is responsible for policy implementation, financial and administrative procedures and project implementation within set guidelines and a work programme approved by the Council. This Committee meets fortnightly to ensure that all decisions are implemented competently and expeditiously.

The Programmes Committee is also chaired by the Executive Director and includes all research and training personnel and the documentalist/librarian. The Committee is responsible for preparation and articulation of the annual work programme, discussion and approval of the work programme of the programme units, project proposals and the review of quarterly reports. The Committee also serves as a regular forum for performance monitoring and evaluation. It meets at least once monthly.

## **2.4 THE ECONOMIC PROJECT MANAGEMENT (EPM), CAMEROON**

### **2.4.1 Introduction**

The EPM programme is part of Faculty of Economics and Management in the University of Yaoundé II, although it is located in the University of Yaoundé I. The programme was initiated in February 1999.

### **2.4.2 Objectives**

EPM's primary aims are to reinforce capacity to analyse and orient the economic policy of Central African countries and Comoros and Madagascar and to train civil servants from these countries. The vision and mission statements of EPM were not clearly elaborated.

### **2.4.3 Governance Structure**

The Project Pilot Committee is the main governance organ of the project. The Committee is composed of 13 members as follows: the Vice-Chancellor (who is the Chairman), the Deputy Vice-Chancellor in charge of corporations, the Dean of Faculty, a representative from the Prime Minister's office, one representative from each of the following: the Ministry of Higher Education, the Ministry of Finance, the Ministry of Planning, Civil Servants, the private sector (GICAM), the training centre of Central Banks (BIAC), the Civil S(women's association), the Executive Secretary of CEMAC (sub-regional centre of Africa) and the director of the programme who is the Secretary of the Committee. The Committee meets twice a year.

The main functions of the Committee are to ensure that the strategies of the programme are well followed, appoint the Director of EPM through competitive selection and recommend the name to ACBF for approval, consider and determine the lists of candidates of the programme and approve the recruitment of personnel of the programme to be endorsed by ACBF. The Project Pilot Committee reports directly to ACBF and the Senate of the University through the Chairman.

In addition, EPM has two committees, namely: the Academic Affairs Committee and the Management Committee, which report to the Project Pilot Committee. The Academic Affairs Committee, which deals with the performance of the students, is composed of the Dean of the Faculty as the chairman, five heads of the modules, the Director of Academic Affairs and the Director of Programmes and three trainers (lecturers). The Management Committee, on the



other hand, oversees the management of the Programme. This Committee is chaired by the Director of Finance and Administrative Affairs, and comprises of the Dean of the Faculty, Director of programmes, all personnel of the programme, who include the Finance Manager, Executive Secretary, Informatics Officer, Reprographics Officer and one of the trainers (lecturers). The membership of the lecturers in the Committee is rotated periodically.

## **2.5 THE INTER-UNIVERSITY PROGRAMME IN ECONOMICS (PTCI), BURKINA FASO**

### **2.5.1 Introduction**

The Inter-University Programme in Economics (PTCI) is located in Burkina Faso. It is an initiative of the Conference of the Education, Economic Research and Management Institutions in Africa (CIEREA) and began its activities in 1994. It was set up to address CIEREA's concern regarding the poor training offered in the area of economics in Francophone sub-Saharan Africa in the early 1990s.

### **2.5.2 Objectives**

The key objectives of PTCI include putting in place a postgraduate training programme in the faculties of economics in order to provide training to international standards, training young economists so as to strengthen higher education and economic research in the CIERRA zone, supporting higher education and economic research institutions of the CIEREA zone to enable them develop their own potential, progressing towards international scientific standards and training students capable of enrolling in the PTCI postgraduate programme as a future resource. The vision and mission statements were not clearly elaborated.

### **2.5.3 Governance**

At the institutional level, the control and management bodies of the PTCI are the Board of Directors, the Scientific Council, the Scholarship and Subsidies Board and the Programme Directorate. The Board of Directors consists of: the President of CIEREA's Executive Council, a representative of the dean, a research representative, two civil society representatives and two representatives of the Programme's financial partners. The main responsibilities of the Board are the adoption of the annual budget, approval of financial and audit reports, and reviewing the programme and activity reports of the Directorate.

The Scientific Council is composed of six academicians of international repute drawn from the North and South. It ensures enrichment of the scientific quality of PTCI's activities and in particular, supervises the pedagogic aspects through regular selection of lecturers, their programmes, the quality of curricula and the training programme for trainers. It also deliberates on the students' performance in the Common Campus Optional Courses. It meets twice a year. The Scholarship and Subsidies Board consists of six independent members. It meets once a year to grant scholarships to students based on criteria determined by the Scientific Council. Members of this Board are university lecturers with substantial experience in university orientation.

The Programme Directorate includes four members, namely, the Director, Programme Coordinator, Administrative and Financial Coordinator and an Executive Assistant. In addition, the Directorate has six agencies, which are expected to coordinate the various activities of PTCI. These agencies have not been effectively resourced. The Directorate oversees the regional operations of the Programme by ensuring that each faculty fulfils commitments made. All these bodies are regularly renewed according to the duration of their term.

## **2.6 THE INSTITUTE OF POLICY ANALYSIS AND RESEARCH (IPAR), KENYA**

### **2.6.1 Introduction**

The Institute of Policy Analysis and Research (IPAR) was established in 1994 as an independent, indigenous and non-partisan private organisation. It is a non-profit body whose primary goal is to pursue quality research in public policy analysis and to generate non-partisan discussion focused on Kenya and the region. IPAR's activities are conducted under four major programmes, namely, Governance and Development, Macroeconomic Policy Analysis, Real Sector (Industry and Agriculture), and Social Sector (Health and Education).

IPAR is governed by a Board of Directors, composed of nine directors, eight of whom are non-executive directors and one is an executive director. The Board's main responsibilities include: providing supervisory leadership in research and other related activities; reviewing and approving the budget of the Institute; appointing senior staff and generally ensuring the implementation of effective corporate governance practices in the Institute. The Board meets 4 times a year, with an AGM being convened once a year. Special meetings may be called as and when necessary. The Board has established two functional committees, namely, Staff and

Finance Committee and Programmes Advisory Committee. These Committees meet at least twice a year.

The Executive Director is the Chief Executive Officer (CEO) of IPAR and is backed by a team of 6 professionals, namely: Coordinator of Governance & Development; Coordinator of Macroeconomics; Coordinator of Real sector; Coordinator of Social sector; Resource Centre Manager; and Finance & Administrative Manager.

### **2.6.2 Vision**

IPAR's vision is to become a national centre of excellence offering constructive policy ideas to the government of Kenya and its development partners in order to improve the welfare of Kenyans.

### **2.6.3 Mission**

IPAR's mission is to strengthen the national capacity to develop, implement and evaluate public policy by undertaking independent policy analysis and research and sharing the results of such research and policy analysis with Kenya and its development partners.

### **2.6.4 Objectives**

The primary objectives of IPAR are to create a national centre of excellence in policy analysis, undertake policy research and analysis to increase knowledge on major issues that affect Kenya, increase the awareness of national decision makers on issues that affect Kenya's development and create an environment conducive to non-partisan development debate and discourse.

## **2.7 THE NATIONAL COUNCIL OF NGOS, KENYA**

### **2.7.1 Introduction**

The National Council of NGOs, popularly known as the NGO Council, is a self-regulating, non-partisan body comprising all registered NGOs. It was established in August 1993 under the Non-governmental Organizations Co-ordination Act of 1990 as a forum for all voluntary agencies.

### **2.7.2 Vision**

THE NGO's Council's vision is to ensure an organized NGO sector working for sustainable development and a just society.

### **2.7.3 Mission**

The NGO Council aims to provide overall leadership to the NGO sector by enhancing its capacity, strengthening self regulation and providing a forum for influencing public policy.

### **2.7.4 Objectives**

The NGO Council's primary goals are to promote avenues for the creation and maintenance of an enabling environment in order to contribute effectively to equitable and sustainable development, to provide a forum and build effective networks for promoting dialogue, collaboration, learning experiences and information, to strengthen the organizational, operational and conceptual capacities of its constituency so that it performs efficiently, effectively and independently and to influence public policy in relation to its constituency

### **2.7.5 Governance**

The NGO Council has an Executive Committee which comprises 15 members elected every two years by the General Assembly (GASS). The Executive Committee is responsible for policy making and for directing all the programmes of the Council. The Committee has three sub – committees, namely, Finance and Administration, Membership and Networking and Rapid Response sub-committees. The Regulatory Committee comprises of five members elected by the GASS. This Committee maintains adherence to the NGO Code of Conduct and the rules and regulations. In addition, the Committee has the power to define and review the criteria for support by the NGO Council on registrations, applications for work permits and tax exemptions.

The NGO Council has a Board of Trustees which comprises of five members, elected by the GASS out of a list of seven nominated by the Executive Committee. The Council has an established Secretariat which is responsible for the day-to-day implementation of the Council's programmes. It implements the decisions of the Executive Committee. The Chief Executive Officer (CEO) heads the Secretariat assisted by various technical officers.

## **3.0 CHAPTER THREE: QUALITATIVE DATA ANALYSIS**

### **3.1 INTRODUCTION:**

This section provides an analysis of data obtained from the following nine institutions: Programme de Troisième Cycle Interuniversitaire (PTCI), Burkina Faso; Economic Policy Management Training Program (EPM), Cameroon; Centre for Political Development Studies (CEPOD), Senegal; Formulation and Management of Macro-Economic Policies (MACROFOR), DRC; Centre for Policy Analysis (CEPA), Ghana; Macroeconomic and Financial Management Institute for Eastern and Southern Africa (MEFMI), Zimbabwe; Economic and Social Research Foundation (ESRF), Tanzania; Institute of Policy Analysis and Research (IPAR), Kenya; and the NGO Council, Kenya.

### **3.2 COMPLIANCE WITH SPECIFIC CODES OF BEST PRACTICE IN CORPORATE GOVERNANCE**

The research found out that none of the institutions, namely PTCI, EPM, CEPOD, MACROFOR, CEPA, MEFMI, ESRF, IPAR, and the NGO Council, complied with any specific code of best practice in corporate governance. This shows that, whereas the institutions under study had put in place a number of administrative procedures, there was no deliberate attempt to steer the institutions within a specific framework of corporate governance.

It was also found out that all institutions were governed through ‘governance organs’ whose mandates are clearly elaborated in the constitutive legal instruments. MEFMI is governed by a Board of Governors; ESRF is governed by a Board of Trustees; CEPA by a Council; MACROFOR by an Administrative Committee (Steering Committee); PTCI, CEPOD, NGO Council and IPAR are governed by Boards of Directors and EPM is governed by a Pilot Committee (Steering Committee).

An analysis of these governance organs is revealing in a number of ways. MEFMI’s Board of Governors meets once a year, thereby acting as an Annual General Meeting (AGM), although the Board’s stipulated mandates are largely governance in nature. MEFMI has in turn created an Executive Committee which meets at least twice a year with specific administrative mandates. The governance structure in MEFMI does not, however, provide the institution with a strong

leadership and policy making organ. This is because neither the Board nor the Committee spends the requisite time necessary to provide a focused and strategic leadership of the institution. The two governance structures thus appear sterile, only active to the extent of providing approvals for administrative progress. ESRF, on the other hand, is governed by a Board of Trustees that meets twice a year to discharge specific governance mandates. Like MEFMI, ESRF legal instrument provides for the establishment of an Executive Committee which is expected to meet at least twice a year, and whose function appears to be advisory in nature, apparently to distil key issues for the Board’s approval. In any case, the ESRF’s Executive Committee is not yet fully operational. Like in the case of MEFMI, the governance structure in ESRF does not provide a focused and strategic leadership framework. The boards of CEPA, PTCI, CEPOD, IPAR and NGO Council appeared to have well stipulated governance mandates, at least in print. MACROFOR is governed by a Steering Committee whose governance functions are curtailed by its positioning within the Ministry of Planning. Likewise, EPM has a Steering Committee whose governance responsibilities are stifled by its relationship with the highly bureaucratic university.

### **3.3 ESTABLISHMENT OF THE GOVERNING ORGANS**

Good corporate governance recommends an appropriate board size of between 7 and 11, with optimum size being 9. The number of directors in the governing organs of each institution was found to be varied as shown in Table 2, ranging from 8 to 24 as follows: MEFMI had 24 directors; ESRF had 10; CEPA had 9; MACROFOR had 12; PTCI had 7; CEPOD had 11; EPM had 13; IPAR had 8 and the NGO Council had 15. Only the boards of ESRF, CEPA, CEPOD, IPAR and PTCI met the corporate governance criterion measure. The board sizes in MEFMI and NGO Council are quite unwieldy. A large board size impacts negatively on the effectiveness of the boards as a result of reduced leadership control and participation.

**Table 2: Number of Directors on each Board**

<b>Institution</b>	<b>Number of Directors on the Board</b>
CEPA	9
CEPOD	11
IPAR	8
EPM	13
ESRF	10
MACROFOR	12
MEFMI	24
PTCI	7
NGO Council	15

The boards of MACROFOR and EPM are only just off the recommended range. It was also found out that only two institutions, namely, CEPA and MACROFOR had one Executive Director each on the Board while the other seven, namely PTCI, EPM, CEPOD, MEFMI, ESRF, IPAR, and the NGO Council did not have any. In addition, it was found out that none of the institutions had independent directors on their boards. Good corporate governance recommends the inclusion of Executive and Independent Directors in the board, in addition to the Non-Executive directors. The inclusion of the executive directors in the board provides the ownership and commitment of the executives in the deliberations and implementation of board decisions. The presence of the independent directors, on the other hand, helps the board to profit from objective and independent articulation and analysis of issues and ideas in the boardroom.

In terms of skills profiling in the appointment of directors, it was noted that none of the institutions had so far put in place a deliberate procedure for searching and appointing directors in accordance with skills requirements of the institutions. Good corporate governance recommends an effective skills profiling procedure for attracting directors with relevant skills. These are important assets in facilitating broad based information and focused decision making in the board rooms. Indeed some of boards, such as in CEPA, had a number of older directors, with little integration of succession planning.

It was noted that the institutions have varied procedures for appointing board members. For MEFMI, membership of the board was by virtue of being either the Central Bank Governor or Permanent Secretary for Finance; for ESRF, members are picked by the Board from stakeholders' names provided by management; for MACROFOR, directors are drawn from all Ministries involved with the project and through nomination by the Ministry of Planning; for PTCI, directors are from the academic field and interest groups; for CEPOD, they represent key stakeholders; in EPM, they are appointed by the chairman of the committee and are representatives of special interest groups; in the case of IPAR, directors are elected by members at the AGM; and for the NGO Council, directors are elected in the general assembly of members.

The research established that the frequency of board meetings varied for all the institutions studied. MACROFOR, CEPOD, CEPA, IPAR and NGO Council boards meet at least quarterly in accordance with the relevant constitutive instruments. These frequencies of meetings are in line with good corporate governance practice. Three institutions, namely, ESRF, PTCI and EPM meet bi-annually. MEFMI board meets once a year. It is argued in good corporate governance

practice that fewer annual board meetings do not provide the directors with the monitoring capability and the depth of leadership necessary for maintaining control and effective supervision of their institutions.

### **3.4 AVAILABILITY OF THE GOVERNANCE INSTRUMENTS**

It was found out that all institutions have elaborate legal instruments establishing them. It was, however, noted that none of the institutions had developed a Board Charter, a Board Manual and a Board Work Plan. In addition, only ESRF had developed and implemented Code of Conduct guidelines. It is good corporate governance practice that boards develop work plans, which shape and organise the activities of the boards. A good board work plan ensures that the board provides a comprehensive, well structured and time-based view of all its activities within a given year. This also helps the directors to have a longer term view of the institutions that they direct and also plan their extra-institutional activities and programmes within the context of the stipulated work plans. The board charters and board manuals in turn provide useful references, guidelines and checks for directors in the articulation and elaboration of their duties and responsibilities.

### **3.5 POWERS AND AUTHORITY OF THE BOARDS**

The directors were asked to list the ‘powers’ of their boards. The responses were as varied as the number of institutions studied. For example, in MEFMI it was stated that the board, on recommendation of the executive committee, approves the appointment of the CEO, work plans, budget and project documents. For ESRF, the board makes decisions pertaining to the activities of the Foundation; for CEPA, the board is the governing organ; for MACROFOR, the board approves the work plans of the project and also controls its activities; in PTCL, the board is the supreme organ which directs, monitors, and evaluates the organization; for CEPOD, the board guides, oversees, and directs the programme of CEPOD; for EPM, the board sets policies for the programme, provides overall guidance to EPM and represents ministries or respective organizations that they represent; in the NGO Council, the board acts as decision-making and monitoring organ on behalf of members; and in IPAR, the board appoints the CEO and senior management staff, approves the work programme and budget, approves financial requests to donors, and provides general direction of the work programme, and organizational representation. Indeed, these responses presuppose that most directors were not authoritatively



conversant with their responsibilities as direction setters and strategic thinkers in their organisations. It was largely apparent that most boards covered in this study are performing a rubber stamping rather than a proactive and strategic role.

The directors were further asked to list the responsibilities of their boards, and these also varied amongst the institutions. For MEFMI, it was indicated that the board provides overall guidance and ensures that MEFMI fulfils its obligations and exercises prudent use of resources; for ESRF, the board provides policy guidance, appoints senior staff and mobilizes resources; in CEPA, the board provides guidance on programmes and monitors progress; for MACROFOR, the board makes decisions on procurement and consultancy services needed, selects students who qualify for scholarships, controls what has been done, provides overall guidance of the project and approves the budget.

In PTCI, the board adopts the annual budget, approves financial reports and audits, nominates members of the scientific and scholarships committee, and engages in fundraising. The CEPOD board advises and approves work programmes, budgets and other reports, hires senior management including the CEO, defines the terms of reference for CEPOD studies, undertakes fund raising, and oversees the audit process; for EPM, the board approves the budget, provides strategic leadership, oversees the appointment of trainers, and approves programmes and the selection and results of students. For the NGO Council, the board sets guiding policies for the secretariat, hires senior staff, monitors the running of the organisation, engages in fundraising and allocation of funds, and represents the Council in other forums. In IPAR, the Board fundraises, reviews the work programme and finances, and provides overall guidance to the CEO. Likewise, these responses show a need to refocus and streamline the responsibilities of the boards within the broad framework of good corporate governance practice.

A critical review of these responses shows that most directors were not conversant with their duties and responsibilities limiting themselves to the conformance end of the leadership continuum. In addition, it was apparent that most boards were not aware of their legal duties and liabilities. It was also found out that most senior managers showed limited understanding of the roles of their boards.

### **3.6 INDUCTION AND DEVELOPMENT OF DIRECTORS**

The study brought to the fore a number of issues regarding the induction of directors on their appointment in the boards. It was found out that ESRF had partial induction, with directors only receiving documents about the Foundation; in MACROFOR, there was also partial induction with directors receiving letters explaining their roles. In MACROFOR it was also assumed that the directors are very experienced people hence induction was not necessary. For PTCI, directors receive information about the organisation on their first meeting but it is also assumed that they are persons of high academic and social standing hence do not need any training. In IPAR it was observed that the induction was informal through retreats comprising the board and senior managers. For CEPOD, there was no consensus on whether directors are inducted, with some observing that they were provided with the organisation's documents in the first meeting while others observed that it is a straightforward job that needs no induction or training as they are professionals. In EPM, there was no consensus, with some observing they were inducted based on the fact that they received a copy of the project agreement from ACBF while others contended that there had been no induction. It was also generally assumed that the EPM Board knows its role since it is composed of high calibre directors. For the NGO Council, there was partial induction whereby directors received rules and regulations and the old board members were also involved in inducting new ones. But there was also the assumption here that the directors already know their roles. In MEFMI and CEPA, it was assumed that the directors know everything therefore induction was not necessary.

It was further observed that, on the whole, all the institutions they do not have formal training or development programmes for their directors, citing the reason that directors are very highly qualified and experienced persons who do not need any training. In ESRF, the directors are seen as highly educated and knowledgeable people therefore training is not considered necessary; for EPM, there is a belief that they are highly qualified persons; for CEPA, directors are assumed to know everything; for IPAR, directors are assumed to be very knowledgeable; and for PTCI there is a view that training is not necessary; for MEFMI and the NGO Council, training was seen as not applicable. It was only in CEPOD where the need for training was expressed by the board, although there have been no funds allocated for it. In MACROFOR, although there is no formal training for directors, study trips are organised to Canada and within Africa for a period of 10-15 days to provide the directors with some exposure. It was further established that none of the institutions had ever sent their directors for any form of corporate governance training.

The preceding discussions indicate that all institutions, including directors, assume that the people appointed as directors already know their roles very well and therefore there is no need for their induction or training. Indeed, some of the main factors that affect the performance of directors are lack of induction and a structured programme for up skilling. Directors who are not provided with induction and training programmes take too long to settle. Such directors are only starting to get to the rhythm of their work when their tenure is coming to a close and it is time to live the board. The search process for an uninducted and undeveloped director is long, agonising and risky for both the institution and the directors themselves.

### **3.7 CONFLICTS OF INTERESTS**

It is generally expected in good corporate governance practice that Board Members should always be seen to place the interest of the institutions that they direct above their own when engaged in all related activities. A conflict of interest occurs when a director's private affairs or financial interest are in conflict with his/her duties and responsibilities. Conflicts of interest can impair directors' abilities to act in the best interest of their institutions. Conflicts of interest could either be financial or material. It is important for directors to recognize that there can also be an apparent or potential conflict of interest. A potential conflict of interest may develop into a real conflict of interest. In dealing with the conflicts of interest, the directors should:

- i) not participate in the decisions from which they could benefit financially or materially;
- ii) regard benefits accruing to immediate family as if the director in question were to benefit;
- iii) not use their position or information obtained to provide an unfair advantage to themselves;
- iv) at all times act in the best interests of their institutions;

However, should any director experience a conflict of interest in any matter under discussion by the Board, then the director in question should declare this interest openly in a board meeting and abstain from this discussion. It is expected in good corporate governance practice that such a director leaves the boardroom during discussions in question.

The study gathered different responses on conflicts of interest among the directors. In the case of the NGO Council, there were serious conflicts of interests as board members represent specific NGOs, which are donor dependent, and so joining the NGO Council board provides them with an opportunity to access research or project funds; some board members do influence the secretariat and are likewise influenced by the management in the allocation of resources. Other conflicts also arise where members use their board positions to serve their own sectarian or ethnic interests. Indeed conflicts of interest were found to be so deeply rooted in the NGO Council that it has virtually paralysed its operations thereby culminating in paralysis that the board has been undergoing in the past year or so. For IPAR, there is conflict where some Board members own consultancy firms whose research work is funded by the same donors who fund IPAR. In CEPOD also, there was an obvious conflict of interest as board members have consultancies on similar projects as CEPOD which means that work could be rerouted from CEPOD to the directors' firms.

The other institutions noted that there is room for potential conflicts although actual conflicts have generally not been detected. For MEFMI, there was implied conflict of interest where some directors wish to see maximum benefits for their own countries. In the case of ESRF, it was observed that there is a potential for conflict of interest. For instance, it was observed that some directors own or work for consultancy firms with similar engagements and could lobby to redirect consultancy work. Although the respondents in PTCI reported no conflicts of interest, it was observed that there are potentials for conflicts of interest. For instance, the Chairman of PTCI Board is also the Chairman of CIEREA, the organ that created PTCI. Most PTCI members are also members of CIEREA and the two organisations generally seek funding from the similar sources. CEPA, MACROFOR and EPM also reported no conflicts of interests, yet some relationships provide potential for conflict. Take the case of MACROFOR; most of the directors are drawn from the Ministries which in turn receive material support from MACROFOR. EPM is training postgraduate students who are in turn employed by the Universities and Ministries whose directors sit on the EPM's Steering Committee.

Throughout this study, it was observed that all institutions have not yet put in place mechanisms for dealing with conflicts of interest. Conflicts of interest have been generally left to the goodwill of directors.

### **3.8 COMPENSATION OF DIRECTORS**

On compensation of directors, it was established that eight institutions, namely PTCI, EPM, CEPOD, MACROFOR, CEPA, ESRF, IPAR, and the NGO Council compensate directors for their services on the board, generally by way of sitting allowances. MEFMI, however, does not give the directors such compensation. The allowances vary in amounts. For instance, ESRF, directors receive a sitting allowance of US\$500, with the chairman getting US\$600. In CEPA, directors receive US\$ 1000; in MACROFOR, directors receive US\$150 per meeting; PTCI directors receive a sitting allowance of US\$500; at EPM, directors receive a sitting allowance of US\$200; and at IPAR, a sitting allowance of US\$125; at CEPOD directors receive US\$100 plus transport reimbursement, with the Chairman receiving a net salary of US\$2000 per month and fuel vouchers of 40 litres per week. The Chairman has an office at CEPOD where he works from daily. For the NGO Council, however, there was no consensus with some directors indicating they received allowances while others observed none was received. This was found to be very interesting, unless they sit on different boards.

It was further found out that the compensation of directors by the institutions was determined in various ways. For MACROFOR, it is based on the ACBF budget; for PTCI, it is determined by CIEREA; for CEPOD, it is stipulated in the project document and budget agreed upon with ACBF, whereas the chairman's salary is agreed upon with the Ministry of Finance; for EPM, the allowance is determined within the framework of the project proposal approved by ACBF. Both CEPA and IPAR indicated that compensation was agreed with the donors at inception of the institutions. For the NGO Council, there was no consensus, with some directors indicating that it is determined by the General Assembly (GA) while others stated that it is the Board. For MEFMI and ESRF, there appears to be no knowledge on how compensation is determined.

Good corporate governance practice stipulates that directors should be compensated in tandem with their responsibilities and liabilities. Critical issues in the determination of remuneration of directors are the checks and balances put in place to ensure equity by eliminating of conflicts of interests. It is recommended that independent directors submit a proposal on board remuneration for the board's consideration and onward transmission to the shareholders/stakeholders for debate and agreement before implementation. In all institutions visited, however, the directors were generally oblivious of the mechanisms for the determination of their allowances.

### **3.9 TENURE OF OFFICE OF DIRECTORS**

On whether directors have a fixed tenure of office, the research found out that directors at EPM, MEFMI, MACROFOR and CEPOD had no fixed tenure. On the other hand, ESRF, CEPA, PTCI, NGO Council, and IPAR indicated that the tenure was fixed. MEFMI observed that directors are in office as long as they are serving their countries as Governors of Central Banks and Permanent Secretaries for Finance; for CEPOD, it was not stated in the statutes but in practice, a director is appointed for two years renewable but the constituting instruments are silent on the tenure; and for EPM, the directors' terms are not stated. For ERSF, directors serve three years renewable once; PTCI, two years renewable once; IPAR for 2 terms of three years with rotation of one third; for NGO Council, three years for 2 maximum terms; for MACROFOR, directors are on the board until the project ends in 2006; and for CEPA, the statutes limit the directors' terms to five years renewable once.

It is instructive that although CEPA and IPAR indicated that the tenure is fixed, the founding directors of CEPA have remained more or less permanently on the board, with IPAR replacing its near-permanent directors only recently. This implies that some boards have not been complying fully with the regulations that determine their activities and operations – a serious omission in corporate governance. It is expected in good corporate governance practice that directors should be appointed for a period of three years, which is generally renewed only once. This ensures rejuvenation and renewal of strategic insights in the board and helps to remove mind guards, blinkers and deadwoods. In most cases, boards that have retained permanent directors tend to do business the same way without enhanced innovation, creativity and productivity.

### **3.10 INDEPENDENCE OF DIRECTORS**

Concerning the freedom and independence of the board, the respondents from CEPA, PTCI, CEPOD, EPM, IPAR, MEFMI, and ESRF indicated that their boards act freely. The NGO Council, on the other hand, is influenced to a large extent by the large NGOs who are some of their donors. MACROFOR observed that although Ministries do not direct the board, they cannot go outside the project manual stipulated by ACBF, so the issue of independence does not arise.

Further discussions with respondents revealed that the boards of institutions that either fall within Ministries or Universities do not appear to have the independence necessary for autonomy and creativity which are important ingredients in the provision of broad based strategic direction and insightful leadership. Likewise, it was also observed that ACBF's contract documents do not allow the boards to operate more independently.

### **3.11 CORPORATE REPORTS**

In this area, the study sought to determine the types, frequencies and effectiveness of corporate reports and reporting. The responses here were as varied as the periodicity of the reports. On the corporation's financial reports, all institutions indicated that they receive and review these reports periodically. MEFMI observed that they receive the financial reports annually; for ERSF, the reports are reviewed at every board meeting; for CEPA, MACROFOR, the reports are reviewed quarterly during meetings; for PTCI, they are reviewed twice during statutory meetings; for CEPOD board the review is done once a year; in EPM, the reports are reviewed twice a year. In both NGO Council and IPAR there was no consensus on the number of times the reports are reviewed.

Regarding operational reports, it was observed that MEFMI has quarterly progress reports; ESRF receives them at every board meeting, which is biannual; for CEPA, quarterly during meetings; for MACROFOR, quarterly during meetings; for PTCI, twice during the two statutory meetings; for CEPOD, quarterly at every board meeting; and for EPM, twice a year. On corporate governance reports, all the institutions reported that they neither receive nor distribute corporate governance reports.

One of the ways through which directors can provide effective leadership to their institutions is by way of receiving and analysing corporate reports. This is because, although directors are wholly responsible and liable for the operations of their institutions, they delegate the day to day management of the institutions to the management. Therefore, periodic analysis of the various reports is imperative because it provides immediate feedback that is necessary for corrective action. This is in keeping with good corporate governance and effective leadership.

On the various reports that the board prepares including their destination, purpose and frequency it was observed that most boards are not aware of the reports that they should

prepare and their destination. It was interesting to observe that most directors do not regard the annual report as the directors' report, which depicts a serious level of ignorance. It was generally clear that most directors were not aware of the purpose, destination and frequencies of the reports in their institutions.

Boards are expected to ensure that corporate reports are developed, reviewed and acted upon as appropriate for effective feedback and corrective action. The corporate reports include: annual reports, financial statements, audit reports, corporate governance reports, project reports, performance targets/ indicators and progress reports, human resources management, and risk management reports.

### **3.12 MONITORING AND EVALUATING PERFORMAMCE**

On whether the board monitors and evaluates the performance of the board as a whole or directors as individuals, it was observed that all the institutions in this study have no formal mechanisms for this important corporate governance function. However ESRF, MACROFOR, CEPOD, NGO Council, and IPAR indicated that this is done informally, especially through board meetings. Likewise, on monitoring and evaluation of the chairman's performance it was observed that none of the institutions performs this function.

It was also found out that all the institutions do not have a formal procedure for evaluating the performance of the CEO. Most of the institutions, namely PTCI, EPM, CEPOD, MACROFOR, CEPA, ESRF, IPAR, and the NGO Council do so informally. CEPA and ESRF do this during meetings and at the renewal of the CEO's contract; MACROFOR does it on expiry of contract; in PTCI it is done at the end of the two year-term based on results and performance of PTCI; for CEPOD, through the CEO's reports; for EPM, at meetings and only with reference to programme activities; for the NGO Council, it is based on the CEO's work-plan and during the meetings; and for IPAR, it is done at the end of the year when the CEO completes the performance forms. It was also observed that MEFMI does not appear to monitor and evaluate the performance of the CEO either formally or informally. This could mainly be attributed to the ignorance of the directors about their role in this important corporate governance function.

The research also sought to find out the extent to which the board monitors and evaluates overall institutional performance. Most of the institutions, namely PTCI, EPM, CEPOD,



MACROFOR, ESRF, MEFMI, IPAR, and the NGO Council indicated that they did this but only informally. MEFMI observed that it did so during board meetings and through reports from external reviewers; ESRF did this during meetings; MACROFOR did this during mid-term and end-term project evaluations facilitated by ACBF and committee meetings; in PTCI it is done during meetings; in CEPOD it is done through quarterly reports and meetings; EPM does this through board reports; in NGO Council it is done through work plans and IPAR does it through quarterly reports. Only CEPA appeared to be playing a very inactive role institutional monitoring and evaluation.

It is apparent from the foregoing that all the institutions covered in this study have put very little emphasis on monitoring and evaluation of their own activities, whether at board, individual or institutional level. Yet monitoring and evaluation are key ingredients for effective leadership because they provide important bases for improvement, rejuvenation, improvement and progress. The haphazard and unintentional nature of the monitoring and evaluation practices currently obtaining in all institutions does not auger well for improved performance in the institutions. The gravity of the problem exhibited by the fact that a good number of institutions simply relied on ACBF's periodic project reviews and reports as if their institutions were departments within ACBF.

### **3.13 RISK MANAGEMENT**

Risk management is another important responsibility of directors. This is because productivity and sustainability of any institution depend to a very large extent on the extent to which the leadership scans the dynamic and risky environment and puts in place strategies with which to enhance efficiency and productivity of the institution. It was observed that ESRF, PTCI, CEPOD, EPM, IPAR and NGO Council had some informal ways of dealing with risk management, while MEFMI, CEPA, and MACROFOR did not appear to consider this as important. For ESRF, risk management is viewed in the context of donor dependency; PTCI is concerned with financial sustainability of the organisation; for CEPOD financial risks are alluded to in meetings; in EPM, IPAR and NGO Council the concern is financial sustainability.

It is clear from the preceding paragraph that risk management is generally not formally on the agenda of all boards. Indeed, most directors indicated that issues on risks are discussed informally unless an institution is facing a serious problem at a given time. In other words, the directors apply a reactive approach to risk management, only dealing with issues as they occur.

It was further observed that none of the boards of the institutions in the study had developed key performance indicators (KPIs) for their institutions. Key performance indicators are very important tools for gauging the extent of achievement of important milestones in the performance of an institution. KPIs provide very objective yardsticks for measuring productivity and are helpful in the development of mitigating strategies against risks.

### **3.14 CORPORATE SOCIAL RESPONSIBILITY PROGRAMMES (CSR)**

It was observed that none of the institutions studied had put in place corporate social responsibility programmes. Good corporate governance practice emphasises development of policies that entrench corporate social responsibility programmes in institutions. This is underscored by the fact that corporations/institutions are corporate citizens within societies and are likely to undertake activities that do not balance the triple bottom line in corporate governance, which refers to the establishment of the delicate balance between economic, social and environmental activities within the society. In other words, CSR programmes ensure that corporations maintain good neighbourliness in society. It is, therefore, expected that all institutions, whether donor funded, privately run or managed by civil groups, should set aside material and financial resources to develop and implement CSR programmes.

Some of the CSRs programmes include: interventions to tackle national/regional social problems - such as youth employment and rehabilitation programmes; partnerships in education and training initiatives; education grants and scholarships; provision of mentoring programmes; and funding environmental programmes.

### **3.15 COMMUNICATION PROCEDURES**

Regarding communication procedures, it was found out that communication between the institutions and the directors was carried out by all institutions through a number of ways such as meetings, reports, telephone, emails, fax and letters. On communication between the corporation and members, stakeholders/shareholders, it was established that MEFMI, ESRF, CEPA and MACROFOR depend on meetings, publications, and seminars; for PTCI, it is through the CEO, chairman and reports; for CEPOD, the CEO and the senior experts are in touch with the Ministry of Finance and the stakeholders; for EPM, the CEO sends reports to the Ministries;

for the NGO Council, it is through regional networks, the Annual General Meeting (AGM), and the normal communication channels emanating from the Chairman to the CEO and to the respective officers; and for IPAR, it is through the publications and AGM.

On the corporation's communication procedures with development partners and financiers, it was observed that in MEFMI it is through the CEO and meetings; for ESRF, it is through reports, meetings, seminars, and the journals of the Centre; for CEPA and MACROFOR, it is through meetings, publications, telephone, and reports; for PTCL, it is through the CEO and the Chairman; for CEPOD, through the CEO and the chairman; for EPM, project reports are sent to ACBF, the World Bank and other donors; for the NGO Council, it is through the CEO to the respective officers; and for IPAR, it is largely through management with the board having a minimal role.

Whereas it appears that all the institutions communicate with their various stakeholders through many channels, it was apparent that there is no deliberate effort to strengthen the communication procedures and practices in a bid to draw the institutions closer to both its beneficiaries and benefactors. Good corporate governance practice recommends the implementation of effective channels of communication that would ensure objectivity, clarity, timeliness, specificity and feedback mechanisms that respect the official chain of command within an institution in order to enhance efficiency and effectiveness in communication.

### **3.16 BOARD ROLES AND PROFESSIONAL ADVISORS**

In general terms most directors indicated that there were no areas of overlap between their responsibilities and those of the management. It was only in the NGO Council where the directors indicated serious overlaps and conflicts because most directors try to micro-manage the institution on a day-to-day basis.

On whether the directors seek professional advice from outside, it was observed that all in all institutions, except ESRF, directors do not seek professional advice. ESRF is the only institution that has sought professional advice in the areas of international accounting standards and gender issues. Good corporate governance recommends that directors, where necessary, should seek professional advice in order to enhance the quality of their decision making techniques. It is generally accepted that all directors, regardless of their prior training, experience and on – the

– job development programmes, would in certain unprogrammed decision making circumstances require professional guidance to enable them make informed and effective decisions.

### **3.17 DEVELOPMENT OF THE BOARDS POLICIES**

In the area of the board's role in the development of policies and corporate strategies, the study found variations among the institutions. See Table 3. The ratings ranged from 1-5 where 1 is poor, 2 is fair, 3 is satisfactory, 4 is good and 5 is excellent,. On the recruitment of the CEO, the research established that all the institutions had put in place policies but with ratings ranging from 1 in CEPA to 5 ESRF, indicating a huge disparity in the performance of this important function. The rest of the institutions rated recruitment of the CEO as follows; MEFMI, 3.2; MACROFOR, 1.6; PTCI, 4.4; CEPOD, 2.4; EPM, 3.0; and NGO Council, 3.6. This shows that most of the institutions have not yet put in place effective policies on the recruitment of the CEOs. This is bad corporate governance practice. It is emphasised that board has overall responsibility over the institution, and delegates a significant proportion of that responsibility to the CEO, and by extension to the management. The position of the CEO is thus crucial in the management of an institution. It is therefore imperative that boards put in place effective policies for the recruitment of CEOs so as to ensure the hiring of quality executives who will steer their institutions towards success and prosperity. In addition, this helps to reduce uncertainties and lobbying that may ensue from a vacant position because this will impact negatively on institutions. Indeed, it was only ESRF that boasted of the most effective policies on CEO's recruitment, which they proudly compared with their country's very democratic presidential and parliamentary elections. The policies in ESRF include very well defined and effectively implemented tenure of office guidelines and effective succession planning for this position. Good corporate governance recommends that CEOs are hired on specific terms of tenure that include limited terms of office as well as effective succession and exit plans.

Regarding the extent to which the boards had put in place policies on the recruitment of all staff, the lowest rating was at MACROFOR with 1.7 and the highest with ESRF with 5. The others rated the establishment of staff recruitment policies as follows: MEFMI, 3.4; CEPA, 3; PTCI, 4.3; CEPOD, 2.3; EPM, 2.2; and NGO Council, 3.0. Again, except for ESRF and, to some degree, PTCI, most of the institutions appeared to be operating with weak policies on the recruitment of other staff members. If policies on recruitment are not clearly elaborated then corrupt

recruitment practices may ensue at both board and senior management levels where people jostle for opportunities to hire their relatives, friends and cronies. The disastrous impact of this on productivity can not be gainsaid.

**Table 3: Extent of Involvement of the Boards in the Development of Board Policies**

	CEPA	CEPOD	IPAR	EPM	ESRF	MACROFOR	MEFMI	PTCI	NGO Council
Recruitment of the CEO	1	2.4	-	3	5	1.6	3.2	4.4	3.6
Recruitment of Staff	3	2.3	-	2.2	5	1.7	3.4	4.3	3
Internal Controls	3	3.5	-	2.1	3	1.9	3.8	4.3	2.6
Budgeting Results	4	3.8	-	2	4	2.6	4.4	4.4	3.4
Financial Accounting Procedures	4	4	-	1.9	5	2.6	3.6	4.3	3.4
Financial Auditing Procedures	4	3.9	-	1.7	5	2.7	2.8	4.6	3.6
Monitoring and Evaluation	3	3.6	3	2.2	3	2.4	2.6	3.9	2.6
Succession Planning	0	3.3	2	2.1	5	2.3	1.6	3.8	1.6
Communication and Information	3	3.6	-	2.1	3	2.4	2.8	4.2	2.6
Staff Discipline	4	3.2	-	2.8	4	4.2	2.6	4	2.8
Staff separation issues	3	3.9	-	2.8	4	1.7	3.4	3.8	3.4
Board Management Relations	2	4	-	3	3	2.7	2.8	4.1	2.4
Corporation-Donor Relations	4	3.7	-	2.6	3	2.3	3	4.1	2.4

The research found out that the extent to which the boards had put in place policies regarding internal control procedures ranged from 1.9 in MACROFOR to 4.3 in PTCI. The other ratings were as follows: MEFMI, 3.8; ESRF, 3; CEPA, 3; CEPOD, 3.5; EPM, 2.1; NGO Council, 2.6; and IPAR, 4.2. This indicates that most boards do not take internal control procedures seriously as to put in place foolproof policies. The fact that boards have a significant proportion of their responsibilities delegated to the CEOs makes the establishment of effective policies in this area imperative since internal control instruments are basic to the effectiveness of the boards' oversight roles.

In the area of putting in place policies on budgeting, results were also varied as follows: MEMFI and PTCI, 4.4; ESRF and CEPA, 4; CEPOD, 3.8; MACROFOR, 2.6; EPM, 2.0; and NGO Council, 3.4. Except for MEFMI, ESRF and CEPA most of the institutions appear to have weak policies on budgeting procedures. Budgeting and budgetary supervision are important functions that the boards must be fully involved in at both policy, development and monitoring stages to ascertain sound financing mechanisms for the institutions that they lead.

The findings in the area of establishment of policies relating to financial accounting procedures also varied among the institutions ranging from EPM with 1.9 and ESRF at 5. The rest of the ratings were as follows: MEFMI, 3.6; CEPA, 4; MACROFOR, 2.6; PTCI, 4.3; CEPOD, 4.0; and NGO Council, 3.4. Again, except for ESRF, MACROFOR and PTCI the rest of the institutions have not developed sound policies on financial accounting procedures.

On policies relating to financial auditing procedures, EPM had 1.7; ESRF, 5; MEFMI, 2.8; CEPA, 4; MACROFOR, 2.7; PTCI, 4.6; CEPOD, 3.9; and NGO Council 3.6. Again, here except for ESRF, CEPA and PTCI most boards are playing a passive role in implementing policies that are necessary for ensuring that effective corporate governance practices are embedded within their institutions. Boards of most institutions were also found to be weak in putting in place monitoring and evaluation policies. This is evident in the following ratings: EPM, 2.2; PTCI, 3.9; MEFMI and NGO Council, 2.6; ESRF and CEPA, 3; MACROFOR, 2.4; CEPOD, 3.6; and IPAR 3.0. In some institutions it was interesting to observe that boards were actually relying on ACBF's project evaluation reports rather than developing their own internal periodic reports.

On implementation of policies on succession planning, some very interesting results were obtained, with CEPA recording the lowest rating of 0 which was not even in the scale (!) and

ESRF indicating the highest rating of 5. Other institutions rated as follows: MEFMI, 1.6; MACROFOR, 2.3; PTCL, 3.8; CEPOD, 3.3; EPM, 2.1; NGO Council 1.6, and IPAR, 2.0. It is clear from the ratings that, except for ESRF, most of the institutions have no policies on succession planning and so incumbents either stay for too long in their positions or they are replaced haphazardly when they leave without a well thought out and systematic mechanism for replacements that would bring about continuity, hence uninterrupted productivity. The case of CEPA was even worse with respondents feeling that CEO has stayed for too long without a formal mechanism for exit and hence smooth transition!

Another area where directors are performing poorly is in the establishment of policies on communication and information, where the ratings were: EPM, 2.1; PTCL, 4.2; MEFMI, 2.8; ESRF and CEPA, 3; MACROFOR, 2.4; CEPOD, 3.6; and NGO Council, 2.6. Again it appears that most boards have not played a key role in establish effective policies on communication and information. And yet communication and information play a crucial role of informing the critical publics about the activities, plans and needs of an institution, which are important for marketing, public relations and expansion of funding and impact. Through effective communication and information, institutions are able to gain greater commitments from their shareholders or stakeholders.

The extent of involvement of the boards in the establishment of policies relating to staff discipline( MACROFOR, 4.2; MEFMI, 2.6; ESRF, CEPA and PTCL, 4.0; CEPOD, 3.2; EPM and NGO Council 2.8), staff separation issues (MACROFOR, 1.7; MEFMI, 3.4; ESRF, 4; CEPA, 3.0; PTCL, 3.8; CEPOD, 3.9; EPM, 2.8; and NGO Council 3.4), board-management relations (CEPA, 2.0; MEFMI, 2.8; ESRF and EPM, 3.0; MACROFOR 2.7; PTCL, 4.1; CEPOD, 4.0; and NGO Council 2.4) and corporation-donor relations (MACROFOR, 2.3; MEFMI and ESRF, 3.0; CEPA, 4; PTCL, 4.1; CEPOD, 3.7; EPM, 2.6; and NGO Council 2.4) were generally found to be weak in all the institutions.

### **3.18 DEVELOPMENT OF THE CORPORATE STRATEGIES**

Interesting scenarios were observed when the role of the boards in strategic direction setting was analysed. In the case of MEFMI, the strategic plan is developed by the management and approved by the board, with the board participating by providing newer inputs; for ESRF, the board is taken through a strategic plan developed by the management and is expected to provide



its approval; for CEPA, management provides a plan that the board reviews and provides its suggestions; for MACROFOR, the board plays no role in strategy formulation; and for PTCI, the board discusses what programmes to undertake, management does a report which the board reviews and approves the course of action, sends it to the executive committee, which then forwards it to CIEREA for adoption.

In the case of CEPOD, management presents a draft strategy to the board, which then reviews and approves it; for EPM, the strategy is done by the executive director and management and sent to the Board for review and approval; for IPAR, the board provides guidance in strategy formulation; and for the NGO Council, the board plays no role. On strategy implementation, the boards appeared to play no role in all the institutions. On strategy monitoring and evaluation by the board, the main methods used by all the institutions were reports and meetings.

It was generally observed that most boards play a very passive and reactive role in strategic direction setting. Strategy setting appears to be left in the hands of the management with the board generally rubber-stamping it by providing an approval. Good corporate governance practice expects the directors to provide strategic leadership by highlighting an appropriate strategic framework that the management is asked to actualise through design, development and implementation.

On the values, vision and mission statements of the institutions, it was observed that most directors and senior managers were unaware of these important statements. And yet it is expected that directors together with the management agree on appropriate values, vision and mission of their institutions since these are very important instruments for enhancing commitment and best practices for increased productivity. It would be difficult for directors to inculcate appropriate ethical practices unless all organisational participants articulate specific values to which adherence and commitment are expected. Indeed, it appeared that most of the vision, mission and values statements were simply what they are – statements – without much meaning and actions being attached to them. It was further observed that these important statements were not known to most employees of the institutions.

### **3.19 BOARD COMMITTEES**

It was observed that there were major variations among the institutions regarding the establishment and use of board committees. MEFMI has created Executive, Human Resource and Strategy Committees which are generally not operational; ESRF has an Executive Committee which is not fully operational; MACROFOR has Procurement and Selection Committees; EPM has Academic and Management Committees; the NGO Council has the Finance and Administration, Membership and Networking and the Rapid Response Committees; and IPAR has Finance and Staff and the Programme Advisory Committees. For CEPOD, the board appoints ad hoc committees; CEPA has an ad hoc committee known as 'Restructuring CEPA Committee'; and PTCI has only committees belonging to the Executive Committee of CIEREA, these are the Scholarship, the Subsidy and the Scientific Committees, with ad hoc committees created as necessary.

A further scrutiny of these committees showed that most of them were only available in print but not in action, which poses serious misgivings about the effectiveness of the boards. In corporate governance practice, committees are useful tools that boards use to provide a more in-depth analysis and review of critical operational and strategic issues before the issues are presented to the boards for discussions and resolutions. Committees help to distil issues further and this enables the boards to have a better interface with the issues at stake. Good corporate governance practice now makes the establishment of the Audit Committee mandatory because of the significant role that it plays in providing effective oversight role for the board. This Committee has not been established in any of the institutions. It was further found out that most directors were not aware of the procedures followed in the composition of the board committees, nor were they aware of the terms of reference and the powers delegated to the committees.

### **3.20 BOARD MEETINGS AND BOARD DYNAMICS**

Regarding the board meetings, it was established that the latest time when directors receive board papers before board meetings varied from a few hours to two weeks. However, it appeared that there was no consensus among some institutions on when they received board papers, neither was there consistency in the time frame within which board papers were received before a board meeting. For MEFMI, it was two weeks; for ESRF, 3 days to one week; for CEPA, 10

days, although this generally varies; in MACROFOR, there was no consensus, although it appeared to vary between 2 to 3 days; in PTCI, there was no consensus, but statutorily it is two weeks; in CEPOD, it was between one day to 2 weeks; in EPM, there was no consensus, and it varied between the day of the meeting and 7 days, but the statutes recommend two weeks; in NGO Council there was no consensus, but it varied between 1 to 2 weeks, and emergency meetings can be called on the same day; and in IPAR the duration ranged between one week and two weeks.

From the foregoing it is apparent that the board papers are in most cases sent to the directors very late, leaving very little time for preparation by directors before board meetings. This does not afford the directors an opportunity to prepare well for meetings so as to have effective and informed participation necessary for fruitful decision making.

It was further observed that steps and procedures followed during board meetings and the dynamics arising therefrom varied amongst the institutions. For instance, the process in IPAR, was confirmation of the minutes of the previous meeting, matters arising, any other business, closing; for MEFMI, welcoming remarks, confirmation of the minutes of the previous meeting, matters arising from previous minutes, any other business, vote of thanks; for NGO Council, adoption of the agenda, confirmation of the minutes of the previous meeting, matters arising; for ESRF, opening of the meeting by the chair, adoption of the agenda, confirmation of previous minutes, matters arising, any other business; and in CEPA, introduction by the chairman, confirmation of minutes, matters arising, and any other business.

A critical analysis of the procedures followed in the board meetings shows that most boards are still glued to the time consuming, valueless traditional and ceremonial ways of conducting meetings. A meeting that starts with adoption of agenda, followed by confirmation of previous minutes, matters arising, and ends with any other business does not add any value to the strategic processes in an institution and the directors are simply occupying the conformance rather than the performance end of the leadership continuum. Meetings should begin with and concentrate on more important strategic issues followed by routine and informational issues.

It was further found out that there were many variations among the institutions studied regarding the length of board meetings. For MEFMI, the board meetings last about one day; ESRF, 3-4 hours; CEPA, 3 hours; MACROFOR, 2-3 hours; PTCI, 2 to 3 days; CEPOD, 2 hours;

EPM, 2-4 hours; IPAR, 2-3 hours; and the NGO Council, ranges from 2 hours to a whole day. Good corporate governance practice recommends that boards hold meetings for at most two hours. It has been found out that directors maintain their effectiveness and efficiency in decision making within the first two hours of a meeting, thereafter the law of diminishing returns sets in, thereby affecting productivity in board meetings. In order to maintain the two hours for meetings, it is expected that directors receive their board papers two weeks in advance of a meeting, study them carefully and consult widely. This enables directors to attend board meetings when they are well informed about issues to be discussed and are, therefore, capable of making informed, focused and timely decisions. The impact of this is focused, effective and well timed board meetings.

It was further observed that the formulation of most board agenda is generally left for the management. Only in very few cases were directors involved in the determination of the board agenda. The effect of this is that most boards become management driven since it is the management that determines what directors should discuss in their meetings. Directors are the strategic decision makers in institutions and should, therefore, exercise their overall oversight authority, including the determination of what to discuss in meetings. It was, however, noted that most boards make decisions through consensus, and this is in keeping with good corporate governance practice.

### **3.21 THE CHAIRMAN OF THE BOARD**

The research found out that procedures for the appointment of the chairman of the Board, varied among the institutions. For MEFMI, the chairman is elected by the members every two years and this is rotational among the member countries; for ESRF, the chairman is elected by the directors through secret ballot; for CEPA, the first chairman was elected by stakeholders in the World Bank offices, the second chairman was approached by the CEO with recommendation from the Board; for MACROFOR, the Co-ordinator of SANAREC is the automatic chairman as per the statutes; for PTCI, the chairman of CIEREA is the de facto chairman of the PTCI Board and he/she is nominated by CIEREA; for CEPOD, the chairman, who is almost in an executive capacity, is appointed by the Minister for Finance; for EPM, the University Rector is the automatic chairman of the board; for the NGO Council, it is through election by the members of the General Assembly; and in the case of IPAR, the chairman is elected by board members.

The study further sought to find out whether the chairmen have fixed tenure or not. It was found out that MEFMI has fixed tenure of two years without provision for renewal; ESRF has three years, which is renewable once; in theory the PTCI chairman has two years in office renewable once but in practice the same chair has been in office for an extended period of time because of lack of funds for conducting a stakeholders meeting!; the CEPOD chairman has two years which are renewable without limits; NGO Council has three years, renewable once; in IPAR, the former chairman virtually had no fixed tenure, and this was only improved recently with the appointment of a new chairman whose tenure is now fixed at three years renewable once; and for CEPA, the statutes indicate a fixed term of five years renewable once; MACROFOR and EPM chairmen have no fixed terms.

Good corporate governance practice stipulates that the chairmen be democratically elected by the board members with tenure generally fixed at three years renewable once. The basic principle is that the chairman is one amongst equals and thus derives his/her powers from the board itself. Otherwise the appointment of the chairman by an authority outside the board tends to create a superior chairman who bulldozes board's decisions and activities. Likewise, a fixed tenure helps to rejuvenate board leadership and is an important step towards succession planning.

### **3.22 THE CHIEF EXECUTIVE OFFICER (CEO)**

The research found out that the perceptions of respondents on the 'powers' of the CEO were varied. For MEFMI, the CEO was seen as running the institution on a minute to minute basis and he/she is seen as the overall head of MEFMI; for ESRF the CEO was viewed as the overall head in-charge of the day-to-day running of the foundation; for CEPA the CEO was seen as co-ordinating and managing the Centre; in MACROFOR the CEO was seen as the manager of the project; in PTCI the CEO is seen as supervising the implementation of the PTCI programmes as directed by the Board and by the Executive Committee of CIEREA; for CEPOD the CEO is executing the policies of CEPOD and providing an interface between the board and the management; for EPM the CEO runs the programme, provides direction, supervises activities, approves expenditure, and defines strategies for internal operations; and for IPAR the CEO oversees the implementation of the research programmes, fundraising; acts as an intermediary between the board and the management; and hires and fires the middle and support staff. The NGO Council did not, however, provide a concrete statement on the CEO's role.

The research further sought to find out the extent of awareness by the respondents about the CEOs' responsibilities. In MEFMI, the CEO is responsible for approving programmes, day-to-day management of the organisation, ensures availability of funding, and communicates with donors, committees, and the board; for ESRF, responsibilities are strategic planning, accounting for resources, appointment of lower cadre of management, implementation of strategic plan, fundraising, and acting as the spokesman of the organisation except on policy issues where the chairman is the spokesman; for CEPA, the CEO is the head of the administration and research, co-ordinates and edits research publications; ensures effective management and day-to-day administration. For MACROFOR, the CEO is responsible for staff reports to the board/steering committee, prepares training programmes, oversees selection of participants, consultants and trainers; for PTCI the responsibilities are managing staff at the headquarters and programmes, overseeing that the faculties are running well in terms of materials, personnel, and students; for CEPOD, the CEO is responsible for running the secretariat, preparing the budget and programme of work including programme implementation. For EPM, he co-ordinates the programme activities for lecturers and administration staff; executes the budget and markets the programme; for the NGO Council, the CEO is secretary to the board and to the regulatory committee, carries out project management, fund raising and organizational representation; and for IPAR, the CEO is responsible for programme and financial management; fund raising and staff management. Generally speaking a number of participants appeared to have a balanced understanding of the responsibilities of the CEO, although a sizeable number still had scanty knowledge about these responsibilities with some participants not able to distinguish between the directors' and the CEOs' roles.

The research also sought to determine the procedures followed in the appointment of the CEOs. These were found to vary, but in general terms a number of CEOs appeared to be appointed through advertisements and competitive interviews. In the case of the NGO Council, there was no consensus on how this was done; for CEPA, the directors were categorical that they did not know the procedures followed – the CEO being a founding manager; in the case of MEFMI, there is an advertisement, short listing, interview by the Executive Committee, and then approval by the Board; for ESRF, there is an advertisement, then a Selection Committee is constituted to shortlist, and the whole board interviews and appoints the CEO; and for MACROFOR, the position is advertised by SANAREC, interviews are then conducted by the Steering Committee which sends 2 to 3 best candidates to the Minister of Finance/Planning who appoints and sends the name of successful candidate for approval to ACBF; for PTCI, the

position is advertised in all the participating countries and a Selection Committee then shortlists candidates for interviews and then appointment is made by the board. The successful applicant is then presented to the donors for approval or objection.

In CEPOD it was observed that the position is advertised locally, then three to five candidates are selected and interviewed and the best candidate is forwarded to the Minister for Finance for approval. In the case of EPM the position is advertised, an ad hoc committee is then set up to interview and select one candidate, then the successful candidate is submitted to the Vice Chancellor for appointment, and finally the appointee's name is submitted to ACBF for the no objection. In IPAR, the position is first advertised, then short listing is done by the Finance and Staff Committee after which the qualified candidates are interviewed by the full board (external consultants are also involved) and the chairman writes the appointment letter to the successful candidate.

It was instructive to observe, however, that most of board members were very ignorant about who appoints their CEO and the procedures followed in such appointments. In some cases a number of directors thought that their CEOs were more or less permanent employees of their institutions. As already noted, it was observed that there are no formal succession plans in place for the CEO's position in all the institutions studied, except to some degree in ESRF.

The research further sought to find out whether the CEO is a member of the board. In this area, it was observed the CEO was an ex-officio member of the board in PTCI, EPM, CEPOD, MACROFOR, MEFMI, ESRF, IPAR, and the NGO Council. It is only CEPA where the CEO is a member of the board in his/her own right. Good corporate governance practice recommends that a board should strive to appoint at least one executive director into the board to provide the requisite balance.

### **3.23 DETERMINATION OF COMPENSATION FOR MANAGEMENT AND THE CEO**

On how the compensation packages for management including that of the CEO are developed and implemented, variations were found to exist among the institutions. MEFMI indicated that the packages were compared to the industry within the region and this was also influenced by the UN system; for ESRF, they are comparable to others in the industry and external consultants

are involved in the design; for CEPA, USAID developed one at the beginning of the project and there has never been any input from the board. In the case of MACROFOR, the packages are in accordance with the ACBF funding agreement; for PTCI, they were developed by the Board; for CEPOD, the packages were developed by the Ministry of Finance; for EPM, they were determined by ACBF and the Board did not participate in the entire process. In the case of IPAR the packages were determined by the board by making comparisons with similar organisations. Although in the NGO Council there was no consensus, the indications were that the Board is involved to some degree.

What is emerging from the preceding paragraph is that many boards do not play a key role in the determination of the compensation packages for their staff. In order to assert their authority over the deployment, employment, mobilisation and control of all the resources in their custody, the boards are expected to play a central role in the design and implementation of commensurate compensation packages for the staff in their organisations. Indeed, in some institutions the boards appeared helpless in this area and this undermines their objective judgment of the decision making environment.

### **3.24 KEY PERFORMANCE INDICATORS (KPIs)**

In the area of the development of the key performance indicators (KPIs) by the board and the management it was generally observed that most institutions do not play this important role. For instance, no well spelt out and objective performance indicators had been developed for the boards and the management of ESRF, CEPA, MACROFOR, PTCI, CEPOD, IPAR, EPM, and NGO Council. In MEFMI it was found that the management has developed performance indicators for each officer in the annual performance contracts but no organisational performance indicators had been developed at the time of the study. IPAR has also gone a step further towards the elaboration of the performance indicators for staff only by emphasising the number of publications per year (3-5 per year per programme), workshops and conferences held per programme, and media visibility.

It is important to stress that performance indicators are very important tools for setting targets and tracking performance and progress in institutions. They provide an institution with an objective criterion for monitoring and evaluating its level of performance and productivity. It is



recommended in good corporate governance and management practices that institutions develop and implement objective key performance indicators.

### **3.25 EFFECTIVENESS OF ORGANISATIONAL STRUCTURES**

Respondents were asked to give their views on the effectiveness of the organisational structures obtaining in their institutions, and most of them indicated that they had well established organisational structures. A critical analysis of the organisational structures of the institutions in this study was telling in a number of ways.

In the case of MEFMI, it was observed that the organisational structure is fairly well established: starting at the top with the Board of Governors, Executive Committee, CEO, programme directors, and the programme officers. However, it was observed that the board of governors which should be acting as the board itself only meets once a year and this frequency does not meet the set targets for the board of an institution, that is at least four meetings a year. In addition, the Executive Committee which is established to enable the board of governors to provide a more detailed leadership in MEFMI does not operate effectively both in terms of its number of meetings and strategic focus. This leaves MEFMI with weak governance structures. On the one hand, the board of governors is in practice acting as an annual general meeting but in theory trying to perform the role of the board. On the other, the Executive Committee is in theory performing the delegated functions of a committee of the board of governors but in practice, performing the conformance role of the board, which role it performs half-heartedly both in terms of the number of meetings and strategic focus. In conformance roles, directors simply certify that procedures and practices are followed, and that relevant regulations are adhered to.

ESRF is governed through a Board of Trustees whose mandates are generally similar to those of the Board of Directors. Although the legal instrument establishing ESRF stipulates the establishment of an Executive Committee, this committee has not been fully operational to date. In theory, ESRF's Board of Trustees performs the role of a board of directors, but in practice, the two meetings that the board holds in a year are too few to enable it to perform the strategic role of a board of directors. Therefore, in its current form and function, the Board of Trustees is almost acting as a General Assembly in a semi-annual general meeting without providing the institution with an effective strategic focus and leadership expected of a board. If the Executive

Committee were fully operational, its functions would be limited to the delegated roles of a committee of a board. This is according to the elaborated responsibilities of the Committee in the constitutive legal instrument. Therefore, the current practice in ESRF leaves the institution with neither an effective stakeholders organ/forum nor an effective board of directors. It was also noted that ESRF does not have standing committees of the board. The organisational structure in CEPA was found to be flat, straight forward and functional. However, the board of CEPA, that is the Council, has not put in place board committees that would expedite and deepen its leadership within the institution in order to enhance effectiveness

In the case of PTCI, it was found out that it is not a legal entity, although CIEREA, which is the stakeholders forum, has the legal mandate. It was further observed that there are three committees within the PTCI's structure. These committees are the Executive Committee, Scientific Committee and Scholarship and Subsidies Committee, which are not committees of the board. The Executive Committee is appointed by the General Assembly of CIEREA. This committee is expected to enable CIEREA to gain a deeper understanding of the activities of PTCI and yet the committee meets only once a year. In addition, the Scientific and the Scholarship Committees, which are not committees of the board, are appointed by CIEREA with direct reporting relationship to CIEREA. The reports of these two committees are only presented to the board for informational purposes but not for any form of action. It was further observed that CIEREA that acts as a general assembly meets very intermittently, sometimes after two years or worse still does not hold any meetings unless money is available from donors. The board of PTCI does not have its own committees.

In real terms, MACROFOR's structure makes it look like a state-owned institution with ACBF as the only donor. This structural arrangement makes it difficult for the board of the institution, that is, the Steering Committee to assert its full oversight and supervisory authority over the institution as expected in good corporate governance practice. This is because of the overbearing hand of the government, on the one hand, and the regulatory procedures exercised by ACBF as the main donor, on the other hand. This over-sandwiched structure does not give the Steering Committee the autonomy it needs to provide effective leadership and strategic direction expected of a governing organ. The case of EPM is similar to that of MACROFOR in the sense that the Pilot Committee of MACROFOR is limited in its strategic leadership by the University's rigid bureaucratic arrangements, on the one hand, and the needs of ACBF as the main donor, on the other hand. CEPOD is also facing the same problem in the sense that it is

governed by a board of directors which is a creation of the government. CEPOD receives most of its funding from ACBF and must thus strictly follow the stipulated project guidelines. In addition, CEPOD appears to have created the position of an Executive Chairman. This is because the chairman, who is on salaried employment in the organisation, has been provided with an office and fulltime secretarial services. He runs the office on a day to day basis thus creating another centre of power which in turn complicates the reporting relationships within the institution. These scenarios, thus, put the leadership organs of the three institutions in situations that simply limit their responsibilities to the conformance or rubber-stamping roles.

### **3.26 STAKEHOLDERS AND RELATIONSHIPS**

It was generally observed that all the institutions, except IPAR, do not have well structured stakeholders/shareholders which would subject the boards to scrutiny, supervision, oversight and an annual accountability test through an annual general meeting. Good corporate governance recommends appropriate checks and balances that would ensure that directors are held to account by the stakeholders/members during the Annual General Meeting. It was only in IPAR where a stakeholders forum, which is held once every year, provides an opportunity for the board to account for its leadership actions in the past year, although the size of the stakeholders forum in this institution is generally worryingly small, at fifteen members only. Good corporate governance requires institutions to provide checks and balances at various levels – that is from the management to the board and finally to the stakeholders forum. This arrangement provides the necessary oversight role at all levels to ensure probity, efficiency, effectiveness, responsibility, transparency and accountability.

It was further observed that even though the stakeholders are not appropriately structured in most of the organisations, the existing amorphous groups appear to perform some useful functions in the organisations. For instance, in ESRF, they provide feedback on the organisation's work, shaping the policy agenda, and providing market for its work; in CEPA, even though the AGM has virtually been dead over the years, some of its members still play a public relations role; and for PTCI, they are useful in fundraising and providing the necessary feedback; in CEPOD, the stakeholders, monitor and evaluate CEPOD's performance. In the case of NGO Council, the stakeholders attend general and special meetings, provide views on how the Council can be strengthened; pay membership subscription and elect board members and chairman; and for IPAR, they attend the Annual General Meeting, ensure that the organization

is carrying out its mandate, elect the board and approve expansion of membership. The responsibilities of stakeholders in MACROFOR and EPM appeared completely unfocussed.

It was further observed that the general reporting relationship between the management and the board for all the institutions was generally through the CEO, meetings and published reports. However, it was observed that the reporting relationships between the boards and the members/stakeholders/shareholders were not well defined and were simply left to chance.

### **3.27 OBJECTIVES AND IMPACTS OF THE INSTITUTIONS**

The study sought to find out the extent to which the participants were conversant with the objectives, outputs, outcomes and impacts of their institutions. It was interesting to observe throughout the interviews that a significant number of directors, including some senior managers, were not conversant with the specific objectives, outputs and outcomes of their institutions. This was found to be a serious omission because it is the objectives of the institutions that help to shape and focus the work-related behaviours of organisational participants. It is, therefore, expected that directors and employees of any institution have a basic understanding of the objectives of the institutions. The outputs and outcomes should provide directors and employees with short and medium term feedback necessary for corrective action and progress.

It was also found out that a sizeable number of the respondents could not be able to pinpoint the impacts of the activities of their organisations. Indeed if organisational participants do not understand the impact that their activities have in the society, then they are simply working without purpose and direction.

### **3.28 GENERAL PERFORMANCE OF THE INSTITUTIONS OVER A 5-YEAR PERIOD**

The perceptions of the respondents on the performance of their institutions over a 5-year period showed interesting results. For instance, respondents from ESRF, CEPOD, IPAR, PTCI, CEPA and EPM indicated a steady rise in the performance of their products and services from 2001-2005. However, the study found it inappropriate to track the performance of products and services of MEFMI, MACROFOR and NGO Council over the same period due to incomplete

financial data bases. Likewise, on client/customer satisfaction, a general steady rise in satisfaction was also observed, except in the case of NGO Council where there was a general decline in customer/client satisfaction over the same period for obvious governance reasons implied in the preceding discussions.

The study further sought to find out the general level of stability of top management within the institutions. In MEFMI, CEPA and MACROFOR the CEOs have remained the same since the inception of the institutions. However, MACROFOR's CEO has only been in office for two years. In ESRF and CEPOD there have been changes of CEOs through normal exit plans. On the other hand, IPAR and NGO Council have experienced many CEO changes due to instability of leadership at the top.

Likewise, it was also observed that, in general terms, the changes in middle and lower levels of executive management during the same period have been minimal, indicating appreciable level of stability among this cadre which is necessary for continuity and succession planning. This also implies that there has generally been very low turnover at senior management levels within the institutions over the period. It was also noted that on the whole, there were low sick leaves and absenteeism reported in all institutions over the period. It was further noted that there were no significant promotions and development of officers at these levels over the same period. This further amplifies lack of succession planning as well as the absence of organized staff development plans within the institutions.

### **3.29 FINANANCING TRENDS IN THE INSTITUTIONS OVER A 5-YEAR PERIOD**

The financing trends in the institutions studied are shown in figures 1, 2, 3 and 4. Figure 1 below shows the income trends in five of the institutions over 5-year period from 2001 to 2004. The income of an organization has a bearing on its sustainability. Organizations with the ability to raise more funds have more chances of success than organizations that do not have the capacity to raise sufficient resources. It can be observed that MEFMI continued to attract a considerable amount of income between 2001 and 2002, followed by a significant rise between 2002 and 2003, after which there was a decline. The high level of income is justifiable considering that the institution is operating at a regional level. ESRF also enjoys considerably higher levels of income and this can be attributed to its mandate. Between 2001 and 2002, ESRF registered a steady rise from just below 2 million dollars to close to 3 million dollars. This

increase was, however, not sustained as it declined to approximately 2.6 million in 2003 and 1.6 million in 2004. CEPA, IPAR and NGO Council have generally maintained relatively low and stagnated levels of incomes. It is important to emphasize that in 2004, all the institutions were experiencing lower levels of income. This is a threat to their sustainability.

Figure 2 shows the expenditure trends in the five institutions listed above. Organizations whose spending levels are lower than their average income have a likelihood of being sustainable if their income is also sustainable. MEFMI has the highest level of expenditure among the five institutions. Interestingly, MEFMI's expenditure has been on the upward trend since 2002 reaching a near pick in 2004. Between 2003 and 2004, despite a decline in MEFMI's income to about 4.5 million US dollars, its expenditure grew to almost 6 million US dollars. This elicits questions on the sustainability of the institution. ESRF's expenditure appears slightly higher than its income, although the trends mirror one another. NGO Council, IPAR and CEPA have maintained expenditure at a level that can be sustained by their current income levels as seen in the Figure.

Donor funding trends are shown in Figure 3. It is evident that during the 2001 and 2002 period, donor funding to MEFMI, ESRF and IPAR increased while funds to NGO Council declined considerably, with CEPA funding stabilizing. During the year 2002 / 2003, all the institutions except ESRF registered appreciable growths in their donor incomes. However, during the period 2003 to 2004, all the institutions registered declines in donor incomes. The data for NGO Council between 2003 and 2004 were lacking. A prognosis of the data for all the institutions shows worryingly declining trends. These declining trends could largely be attributed to donor fatigue, which might be exacerbated by institutional performance levels that do not meet agreed project targets. These patterns may not augur well for the sustainability of the institutions in the medium and long-terms.

Figure 4 shows the trends in self generated incomes in the five institutions over the 5-year period. Except for MEFMI which has generally registered slight increase in their self generated incomes, all the other institutions have shown declining trends in their self generated incomes. It is instructive to note that the quantities of the self generated incomes have generally been significantly much lower than the donor funds. This is in addition to the fact that these incomes have been on a downward swing over the period. The self generated incomes were mainly from consultancies, professional and membership fees. In view of the generally declining trends of

incomes in these institutions, it can be concluded that their sustainability is threatened unless the institutions diversify and enhance their sources of funding. It can be assumed that the same trends obtain in all the institutions covered the study.

**FIGURE 1: INCOME IN FIVE INSTITUTIONS - 2001 TO 2004**

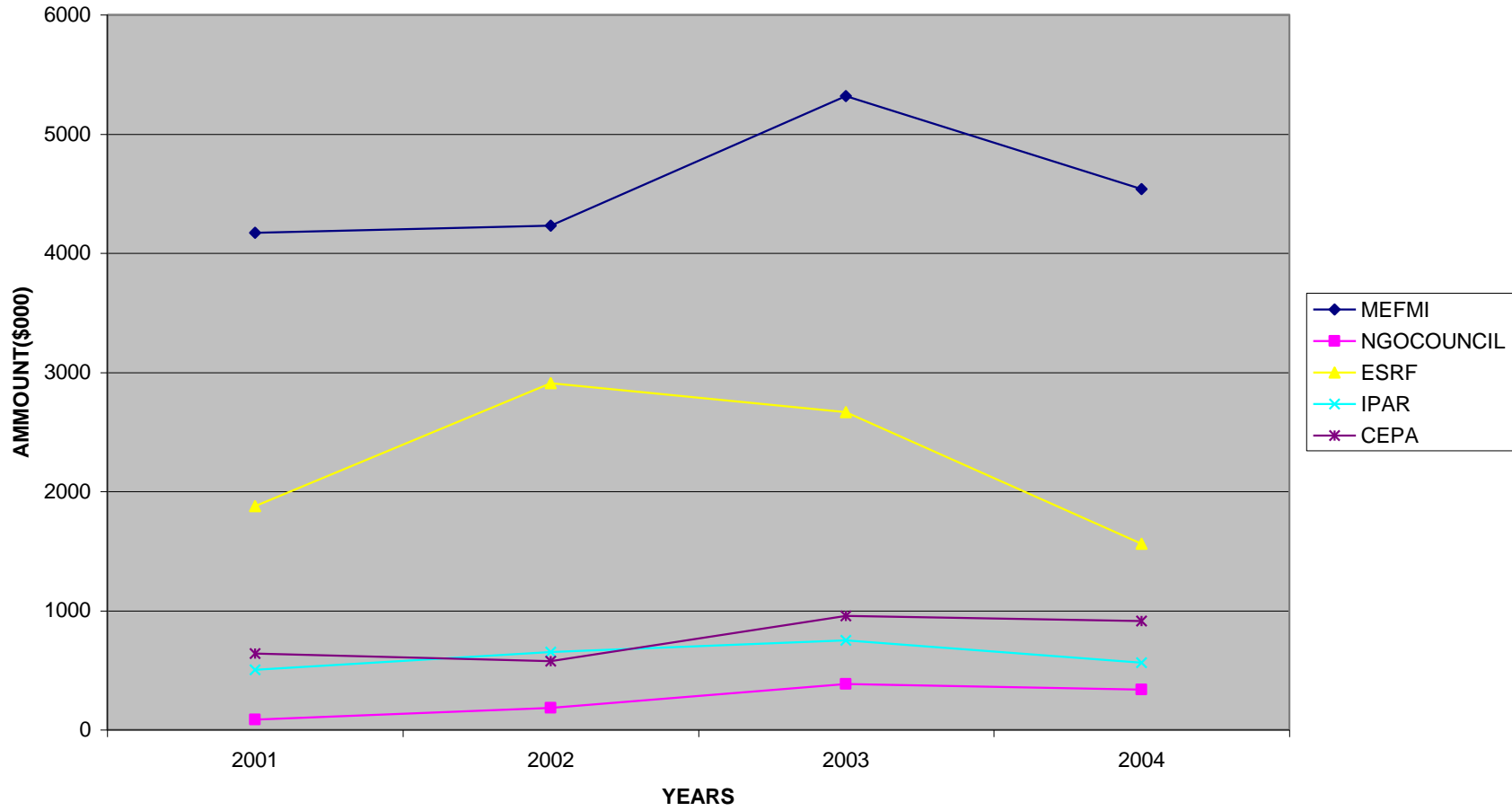
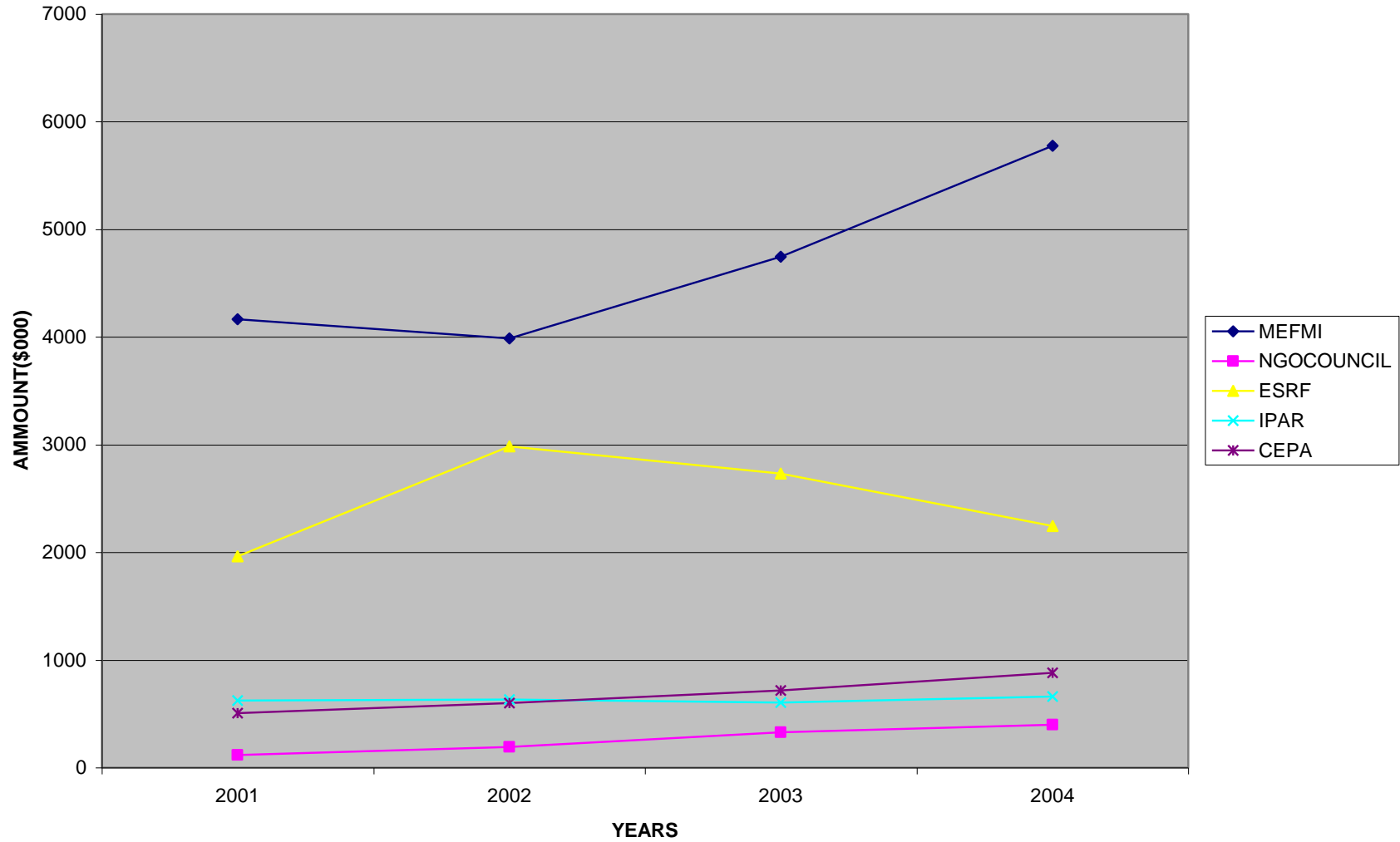




FIGURE 2: EXPENDITURE IN FIVE INSTITUTIONS - 2001 TO 2004



**FIGURE 3: DONOR FUNDS IN FIVE INSTITUTIONS - 2001 TO 2004**

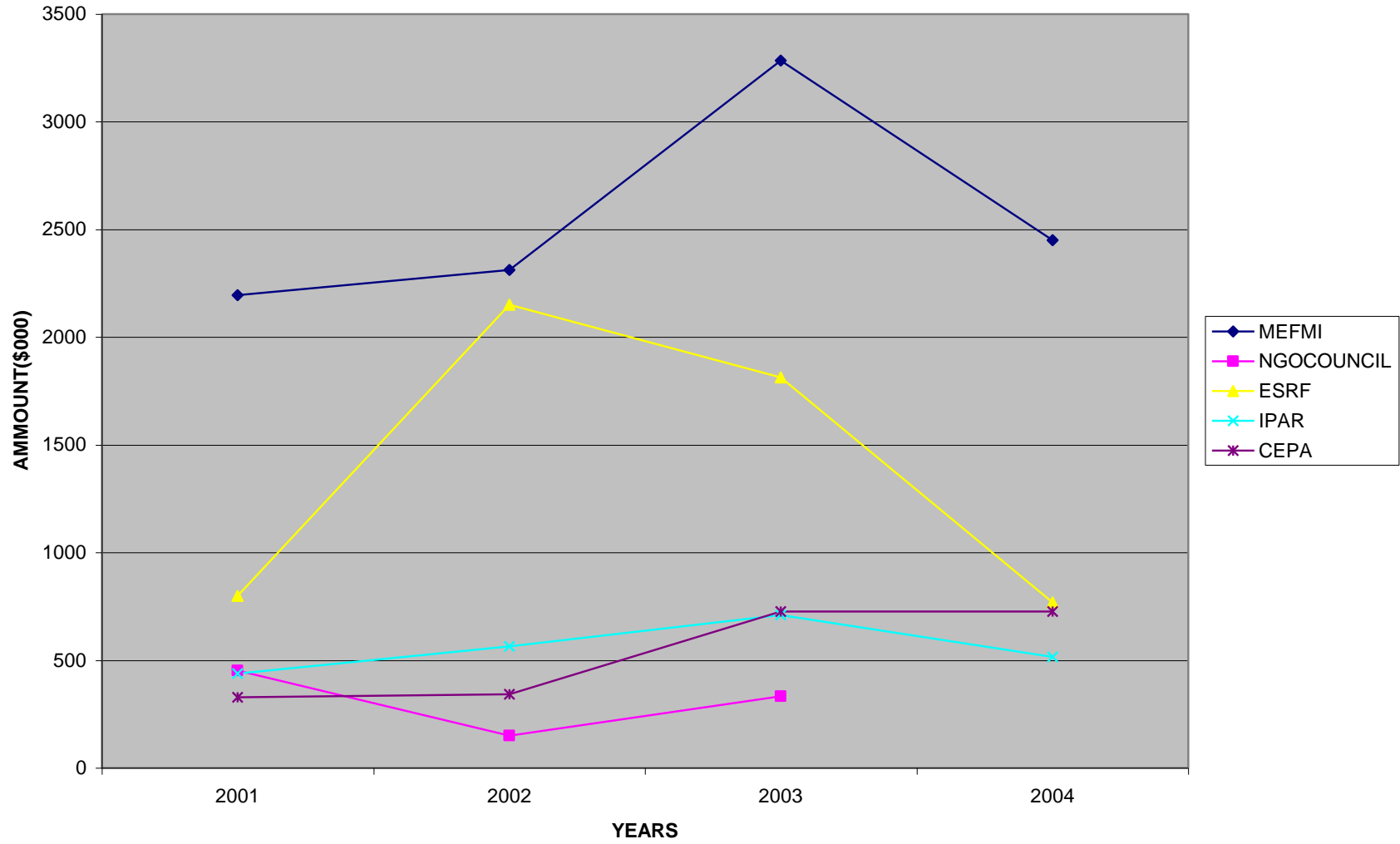
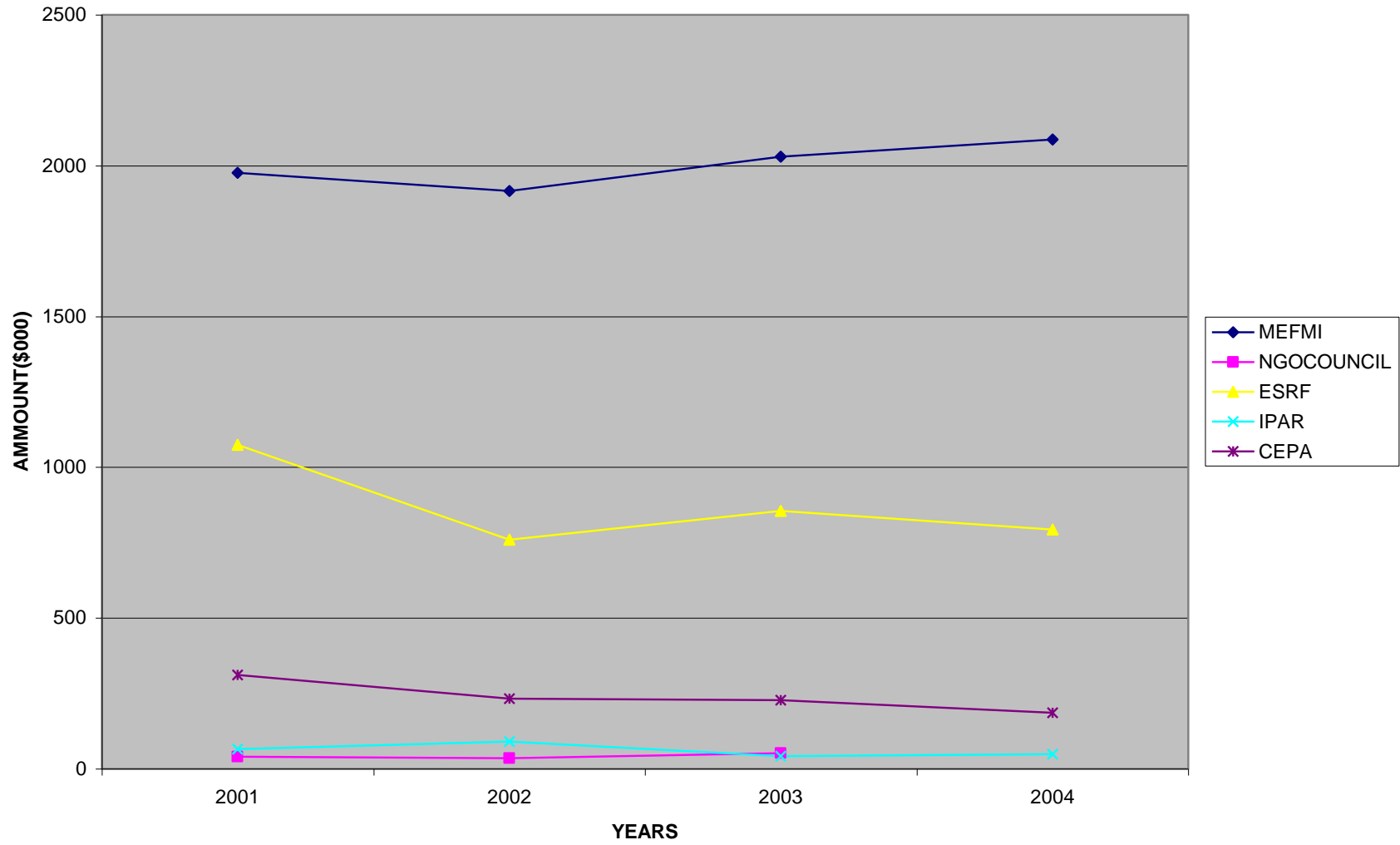


FIGURE 4: SELF GENERATED INCOME IN FIVE INSTITUTIONS - 2001 TO 2004



#### **4.0 CHAPTER FOUR:**

### **STATISTICAL ANALYSIS OF THE PERFORMANCE OF DIRECTORS**

Tables 4, 5, 6 and 7 provide means of the ratings of the levels of performance of directors by the respondents in specified sub-items shown in the tables. These sub-items were general operations; board structure; selection, appointment, induction, development, rotation and succession; board effectiveness; strategic direction; stewardship of resources; assessing company performance; risk management; legal compliance; accountability; institutional performance; chairman's leadership; and the chief executive officer's leadership. The ratings were on a 5-point scale as follows: 5, Excellent; 4, Good; 3, Satisfactory; 2, Fair and 1, Poor.

#### **4.1 TABLE 4 – RATINGS BY RESPONDENTS IN ANGLOPHONE COUNTRIES**

<b>ITEM</b>	<b>N</b>	<b>MEAN</b>
General Operations of the Board	24	3.3523
Board Structure	25	3.5600
Board Selection	22	2.8106
Board Effectiveness	25	4.0200
Strategic Direction	28	3.5000
Stewardship Of Resources	29	3.6897
Assessing Performance	29	3.0828
Risk Management	24	2.6042
Legal Compliance	22	2.9924
Accountability	27	3.4321
Institutional Performance	27	3.6250
Chairman's Leadership	23	3.5924
Stakeholder Relationships	24	3.1919
CEO's Leadership	27	3.8951
Conduct Of Affairs Of Organization	27	3.8477
Overall performance	24	3.4122

Table 4 shows that the performance of directors in Anglophone countries were generally rated as only “satisfactory” in most of the sub-items, that is, general operations, board structure, selection procedures, strategic direction, stewardship, assessing performance, compliance, accountability, chairman’s leadership and stakeholder relationships. Performance in risk management was rated as only “fair”. It was only in the sub-items of board effectiveness, strategic direction and CEO’s leadership that the performance ratings were higher at the level of “good”.

#### **4.2 TABLE 5 - RATINGS BY RESPONDENTS IN FRANCOPHONE COUNTRIES**

<b>ITEM</b>	<b>N</b>	<b>MEAN</b>
General Operations of the Board	35	3.7065
Board Structure	36	3.6889
Board Selection	33	3.2929
Board Effectiveness	36	4.1493
Strategic Direction	38	4.0088
Stewardship of Resources	35	3.6357
Assessing Performance	36	2.9111
Risk Management	35	2.8250
Legal Compliance	33	3.0556
Accountability	35	3.4857
Institutional Performance	34	3.5055
Chairman’s Leadership	35	4.0750
Stakeholder Relationships	35	3.8429
CEO’s Leadership	36	4.0185
Conduct Of Affairs Of Organization	37	4.0360
Overall Performance	36	3.725

The ratings of performance of the boards in Francophone countries (see table 5) generally followed the same patterns as in the case of their Anglophone counterparts, indicating that the overall performance levels of most boards of the institutions studied were wanting at the “satisfactory” level.

**4.3 TABLE 6:  
COMBINED RATINGS OF THE PERFORMANCE OF BOARD MEMBERS BY  
DIRECTORS IN BOTH ANGLOPHONE AND FRANCOPHONE**

<b>ITEM</b>	<b>N</b>	<b>MEAN</b>
General Operations of the Board	30	3.7152
Board Structure	31	3.6129
Board Selection	29	3.2356
Board Effectiveness	34	4.2647
Strategic Direction	35	3.9810
Stewardship of Resources	33	3.8182
Assessing Performance	33	3.0424
Risk Management	31	2.7379
Legal Compliance	28	3.0060
Accountability	33	3.5556
Institutional Performance	30	3.5521
Chairman's Leadership	30	4.0000
Stakeholder Relationships	31	3.7258
CEO's Leadership	33	4.1162
Conduct of Affairs of the Organization	33	4.1549
Overall Performance	33	3.6591

Likewise, as is evident in table 6, the ratings by the directors of their own performance appear to follow the same pattern as seen in tables 4 and 5, that is, their performance levels oscillate around “satisfactory”. Performance in risk management still remains dismal at “fair”.

**4.4 TABLE 7:  
COMBINED RATINGS OF THE PERFORMANCE OF BOARD MEMBERS BY  
MANAGEMENT IN BOTH ANGLOPHONE AND FRANCOPHONE**

<b>ITEM</b>	<b>N</b>	<b>MEAN</b>
General Operations of the Board	29	3.4044
Board Structure	30	3.6600
Board Selection	26	2.9487
Board Effectiveness	27	3.8843
Strategic Direction	31	3.5806
Stewardship of Resources	31	3.4919
Assessing Performance	32	2.9313
Risk Management	28	2.7321
Legal Compliance	27	3.0556
Accountability	29	3.3563
Institutional Performance	31	3.5645
Chairman's Leadership	28	3.7589
Stakeholder Relationships	28	3.4143
CEO's Leadership	30	3.8000
Conduct of Affairs of the Organization	31	3.7455
Overall Performance	29	3.5864

It is also evident in table 7 that the management also rated the performance of the boards in the two regions generally at only “satisfactory” level.

#### **4.5 STATISTICAL DATA ANALYSIS**

The data on ratings were then subjected to statistical analysis, applying the univariate ANOVA, to determine whether there were statistical differences when the respondents were compared by region (Anglophone versus Francophone); age of institution; respondents' position (Board member versus management). These data analysis tools were found to be the most appropriate for the data collected.

#### **4.6 LOCATION OF RESPONDENTS**

Under the general operations of the board, it was found out that Francophone respondents rated the operations of their boards (directors) significantly higher than their Anglophone counterparts. The levels of significance were set at 0.05. The statistical analysis showed significance at 0.076. This could have a number of implications: either the Francophones see their institutions as being better run through faster consensus building or that the Francophone respondents generally rate themselves and their institutions higher. This trend appears to be consistent throughout the statistical analysis.

Further statistical testing showed significance differences in favour of the Francophones in the sub-items of board selection criteria; strategic direction setting; and chairman's leadership. The Francophone respondents thus appeared to be happier than their Anglophone counterparts regarding their selection processes, their roles in strategic direction setting and the leadership exercised by their chairmen, even though qualitative analysis in the preceding documentation shows dire need for improvements in the governance procedures undertaken thus far. There were no statistical differences in the sub-items of board effectiveness, assessing performance, risk management, legal compliance and accountability, institutional performance, stewardship of resources and the CEO's leadership.

#### **4.7 BOARD VERSUS MANAGEMENT**

The data were further disaggregated according to the positions of the respondents, that is, as board members or managers. Statistical differences were recorded between the two groups in the sub-items of board effectiveness; and the CEO's leadership effectiveness. Board members appeared to have rated their own effectiveness much higher than their rating by the managers in



this area. Likewise, the directors rated the effectiveness of the CEOs' leadership higher than the ratings by the managers. Of course, psychologically speaking individuals generally rate themselves higher than they are rated by others, and this is understandably so. The apparent higher rating of the CEOs by the directors appears to show the extent to which directors rely heavily on the leadership roles of the chief executives, further attesting to the much loathed rubber-stamping role of the boards.

#### **4.8 AGE OF THE INSTITUTIONS**

There were no statistical differences when the respondents were segregated according to the age of their institutions and subjected to statistical testing. Whilst it is noted that there were no significant differences when comparisons were made by the age of institutions, the finding itself is significant in the sense that it provides important information for researchers interested in the demographic analyses.

Further statistical analyses were avoided due to the fact that the disaggregated sample sizes could not meet the central limit theorem rule. It would have been interesting, however, to disaggregate the respondents and compare various variables across the population.

## **5.0 CHAPTER FIVE: RECOMMENDATIONS**

Arising from the qualitative and quantitative data analysis carried out so far, the following recommendations are made with a view to putting in place corporate governance practices within the ACBF funded institutions for improved practices and, by implication, effectiveness and productivity.

### **5.1 Recommendation 1:**

#### **Authority and Duties of Stakeholders/Members/Shareholders**

It was observed that apart from IPAR, all institutions in this study do not conduct Annual General Meetings (AGMs) or any other meetings for shareholders/members/stakeholders. Even in the case of IPAR, the AGMs generally attract about 15 members, which is too small a size to provide the necessary oversight.

Shareholders/members/stakeholders in the institutions generally play a very important role in ensuring that their institutions are well governed through appointment of persons of competence, reliability, probity and quality as directors. In order to play this important role, members must keep themselves informed about their institutions so as to be in a position to make independent and informed decisions on all issues pertaining to the leadership exercised within the institutions. Members thus ensure that the boards are constantly held accountable and responsible for the efficient and effective governance of the institutions for the achievement of corporate objectives, prosperity and sustainability.

*It is, therefore, recommended as a matter of priority that all the institutions should put in place an Annual General Meeting (AGM) for either shareholders or stakeholders/members so as to provide the checks and balances necessary for ensuring board effectiveness.*

## **5.2 Recommendation 2:**

### **Role, Functions and Responsibilities of the Board and Management**

It was observed throughout this study that a significant number of directors did not appear to have an effective understanding of what their roles were. A sizeable number of directors seemed to think that their role was basically to make approvals. This deviates greatly from the strategic leadership role that directors should play in corporate governance. Likewise, it was also observed that a number of senior managers were not very clear about the role the boards should play and the tendencies for role overlaps were significant.

*In order to enhance clarity and thereby avoid role overlap, it is, therefore, recommended that the broad roles, functions and responsibilities of both the boards and management be clearly spelt out in board manuals or charters.*

## **5.3 Recommendation 3:**

### **Appointment of Directors**

It was also observed that appointment procedures for directors were not well spelt out in most of the institutions studied. Indeed a good number of directors remained oblivious of the methods which were applied in selecting them into the boards. In order to enhance effective skills profiling, good corporate governance practice recommends the establishment of clearly elaborated methods for appointing directors into the boards. It was further observed that there were no specifications regarding the tenure of office for directors.

*It is, therefore, recommended that effective systems be put in place in all the institutions to ensure the appointment of the right directors with appropriate and relevant skills for each institution.*

#### **5.4 Recommendation 4: Composition, Mix of Skills and Competencies**

The findings showed that, generally speaking, most directors have been appointed to their boards and committees without due regard for the mix and relevance of skills and competencies. In order for directors to play the critical role of providing strategic and focused leadership in the institutions, good corporate governance practice recommends that there should be an appropriate mix and balance of skills and competencies that are specific to an institution. This requirement recognizes the fact that directors provide leadership within a complex environment whose future is largely uncertain and therefore, they need competitive decision making and environmental scanning skills so as to be able to provide a leadership that ensures stability throughout an organisation's life span.

*It is, therefore, recommended that the appointment procedures and practices for directors should ensure the attraction of people who possess an appropriate mix of skills and competencies that are relevant to an institution.*

#### **5.5 Recommendation 5: The Chairman of the Board**

This study found out that there were variations regarding appointment procedures for chairmen of board or committees. Worse scenarios are where chairmen are appointed by an outside authority or when this position is made permanent. Good corporate governance practice presupposes that the board acts as a collective agency and that there is no single director who has excess powers over the board itself. The chairman is thus considered as a leader of leaders and as one among equals. In order to place the authority of the chairman in its realistic context, good corporate governance recommends that once fully constituted, the board itself appoints its chairman through a competitive process.

*It is hereby recommended that the chairmen of boards be appointed by the boards themselves through a competitive selection process and that the tenure of office of the chairmen be clearly spelt out, with one term renewable only once.*

## **5.6 Recommendation 6: Induction, Training and Development of Directors**

It was perplexing to observe that none of the boards or Steering Committees of the institutions that were studied conducted any formal induction, training or development programmes for their directors. Even in a good number of quasi – academic institutions, the belief was that the directors come into the institutions with more knowledge, expertise and experience than they require to undertake their responsibilities and thus development is irrelevant! This view is retrogressive and negates the very basic tenets of creativity, innovation and change management in a dynamic business/operational environment.

*It is recommended that all the institutions put in place formalized and programmatic mechanisms for induction, training and development of directors so as to jump start – them and constantly upgrade their skills in the dynamic and complex decision making environment.*

## **5.7 Recommendation 7: Independence of the Board of Directors**

The strategic, focused, and helicopter leadership roles of directors imply that they should exercise their responsibilities with independent minds and within a largely autonomous decision making environment. It was observed, however, that a good number of institutions are either appended to Ministries or Universities with their own bureaucratic and procedural constraints that do not allow the directors to exercise an appreciable free will in decision making. Additionally, the leadership roles of directors are further constrained by the rigid guidelines stipulated within the project documents. Of course it is understandable why project guidelines should and must be strictly adhered to.

*It is thus recommended, where relevant, that a negotiated arrangement be agreed between the parent ministries/universities and donors, on the one hand, and the directors on the other hand, in order to allow the boards/steering committees the requisite independence and autonomy necessary in major decision making areas, such as determination of strategic focus and plans, and appointment of CEOs and senior management.*

## **5.8 Recommendation 8: Board Meetings**

The study showed that there were a number of variations regarding frequencies of board meetings that ranged between one and four meetings. Since directors are not in their institutions on a day to day basis, because of delegated responsibilities to management, it is thus imperative that the frequencies of meetings be appropriate to enable the directors to maintain continuous authority and oversight within the institutions. In addition, it was found out in the study that most of the board agenda and hence meetings were generally tending towards the conformance continuum of the leadership scale. In other words, most boards were more concerned about being informed of the things that have already happened in their institutions rather than making the critical decisions on what should be done and how it should be done in the future.

*It is recommended that boards/steering committees of all the institutions hold at least four meetings annually and that these meetings should, to a very large degree, make strategic and futuristic decisions. It is further recommended that the agenda for the meetings should progress from key strategic decisions followed by routine and informational issues.*

## **5.9 Recommendation 9: Committees of the Board**

It was also found out in the study that most of the boards do not have board committees. Even in cases where board committees were formed they were found to be moribund or dysfunctional without clearly stipulated responsibilities and reporting relationships. In other cases, the committees did not seem to play a delegated role emanating from the boards. It was also observed that none of the institutions had established the Audit Committee, which is a highly recommended committee in good corporate governance practice. Committees are very important governance instruments that help boards to deal with several issues at the same time and to an acceptable depth and focus. In addition, committees also enable the boards to interface much better with their organisations and thus help to enhance continuity of leadership and oversight.

*It is recommended that the boards of all the institutions establish relevant board committees, including the Audit Committee, with clearly stipulated terms of reference, tenure and reporting relationships and that it is preferable that the committees also meet at least four times annually.*

**5.10 Recommendation 10:  
Institutional Policies**

It was observed that almost all boards/steering committees have not developed and implemented broad institutional policies that would provide a streamlined governance framework within their institutions. Policies are very useful governance instruments that provide all organisational participants, whether internal or external, with the guidelines necessary for patterning intra and extra organisational behavioural activities. Policy statements were found to be lacking in such important areas as recruitment of staff, control procedures, monitoring, succession and communication processes. Indeed, it was noted with concern that most directors and managers were either not aware or appeared unconcerned about policies stipulated within their institutions.

*It is recommended that boards of all institutions design, develop and ensure implementation of policies that determine the conduct of broad activities within the institutions and that management be directed to develop and implement appropriate policies across the breadth and depth of the institutions.*

**5.11 Recommendation 11:  
Strategies, Values, Vision, Mission and Objectives**

The study showed that in most institutions, directors play a very passive role in the determination and actualization of the strategic plans, values, vision, mission and objectives. In some institutions, it was observed that the directors have abdicated this responsibility to either the management or the donors. In other institutions, the directors were categorical that they have to ensure management compliance with the strategic plans stipulated in the project documents developed by donors. This thus limits the directors' strategic leadership role to mere

compliance. It was also observed that, although a number of institutions have stipulated their vision, mission and objectives statements, these merely remained printed matter since most respondents remained unaware of their availability and usefulness. Likewise, another intriguing finding was that all the institutions in the study have not developed any “guiding values” that could provide these institutions with the guiding principles and beacons upon which good corporate governance can be founded.

*It is, therefore, recommended that boards/steering committees play very active roles in the development and actualization of institutional values, vision, mission, objectives and strategic plans that are necessary in providing a framework for actions, productivity and continuity.*

#### **5.12 Recommendation 12: Risk Management**

A critical analysis of the strategic leadership role of directors shows that they are operating in a complex, dynamic and risky decision making environment. Therefore, effective risk management techniques are important instruments in the furtherance of directors’ effectiveness. It was observed, however, that most boards have neither identified key risk areas nor developed mechanisms to mitigate against risks that impact on their organisations. Indeed issues of risks are largely dealt with reactively as afterthoughts.

*It is thus recommended that all institutions identify their key risk areas and elaborate contingency mechanisms with which to deal with the risks on a continuous basis.*

#### **5.13 Recommendation 13: Appointment and Development of the Chief Executive Officer and Management**

Throughout the study, it was apparent that most institutions have not put in place well defined and operational procedures for the appointment of the chief executive officers. In some instances, the directors were not sure whether the CEOs were contracted or permanent employees. This is a serious corporate governance omission on the part of directors since



corporate governance practice emphasises appointment of chief executive officers as one of the most important responsibilities of boards. In addition, it was generally observed that terms of service and tenure of office were neither clearly spelt out nor observed in practice. Policies regarding the appointments and development of senior management were also found to be generally lacking.

*It is recommended that the boards/steering committees put in place clearly defined recruitment and placement procedures and be directly involved in the appointment and development of the chief executive officers and senior managers that report directly to the CEOs.*

#### **5.14 Recommendation 14: Managing Conflicts of Interests**

The study showed that there were many avenues and potential areas for conflicts of interests among the directors in the performance of their duties. Even some of the appointment procedures are amenable to conflicts of interest. This is in spite of the fact that a majority of directors indicated that they do not experience conflicts of interest in their work. A director who experiences many conflicts of interest in the discharge of his/her duties has no business in the boardroom.

*It is, therefore, recommended that, in addition to ensuring appointment of a majority of independent directors, directors should be obligated to disclose situations where they have conflicts of interest and thereafter be expected to abstain from the relevant discussions in a board meeting.*

#### **5.14 Recommendation 15: Succession Planning**

Succession planning has been emphasised in recent years in both management and corporate governance practices as being crucial to ensuring continuity in leadership and injection of newer perspectives and creativity in an institution at both board and management levels. It enables an institution to effectively manage and sustain one of its key drivers in productivity, namely knowledge. It was, however, observed in this study that no institution has put in place effective succession plans at both the board and management levels.

*It is, therefore, recommended that all institutions put in place clear succession plans at all levels of their organisations to ensure continuity and efficiency.*

#### **5.16 Recommendation 16: Corporate Communication**

It was observed that most institutions have not developed clearly defined communication practices between the institutions and various stakeholders. Generally speaking most institutions appear to rely more on their scheduled meetings. The important role that effective communication plays in an institution cannot be gainsaid. Effective communication still remains one of the single most important instruments for enhanced governance and leadership practices in organisations.

*It is recommended that all institutions develop and implement well defined communication channels and procedures to ensure effective exchange of information with their various stakeholders.*

### **5.17 Recommendation 17:**

#### **Monitoring and Evaluating the Performance of the Board**

The study clearly showed that all boards in the institutions studied have not developed formal, objective and clearly defined procedures for monitoring and evaluating performance. In most cases, directors appear to apply informal techniques to find out the performance status of their institutions. It was observed that the directors do not usually get bothered about performance for as long as everything is fine, and only start getting concerned whenever there is a crisis. This is a reactive approach to leadership. Directors are thus expected to be always proactive in their leadership so as to preempt problems. An effective step in this direction is to ensure the development and implementation of key performance indicators (KPIs).

*It is recommended that all institutions identify their key performance indicators and put in place clearly defined and effective procedures for monitoring and evaluating performance at all levels.*

**5.18 Recommendation 18:**  
**Monitoring Financial Performance and Sustainability**

It was observed that most of the institutions in this study rely heavily on donor funding. A few of these institutions have been able to generate their own income from other sources. This is a commendable effort. However, the quantity of incomes generated from self - sources are significantly much lower than the donor funds. This trend has serious implications on the ability of the institutions to sustain themselves in the medium and long term, should there be setbacks with donor funding. In addition, it appears that most of the boards do not constantly monitor the financial performance of their institutions as to enable them put in place corrective measures. This is underscored by the fact that risk management is not taken seriously in most of the institutions.

*It is, therefore, recommended that the directors in all institutions play central roles in monitoring the financial performance of their institutions and put in place strategies to increase self generated funding to levels equal to if not more than the donor funds.*

**5.19 Recommendation 19:**  
**Corporate Social Responsibility**

It was observed that none of the institutions studied had put in place a Corporate Social Responsibility (CSR) programme. In the past decade or so, proponents of good corporate governance have emphasized the important role that corporate social responsibility programme plays in inter-facing an institution/corporation with its environment. It is one way of ensuring that the corporations that can sometimes grow into very powerful corporate citizens do not run amok by emphasizing profitability and performance at the expense of their social and environmental obligations in the society. Such programmes may require just a small budget.

*It is recommended that the boards of all institutions develop appropriate policies in order to put in place deliberate corporate social responsibility programmes for their institutions.*

**5.20 Recommendation 20:  
An Effective Organisational Structure**

It was shown in the study that most institutions have not adopted efficient, lean and effective organisational structures that would enable them to carry out their mandates more productively. This is understandable in a number of cases since some of the institutions studied are appendages of either Universities or Ministries.

*It is, therefore, recommended that all the institutions adopt an effective organisational structure that follows a linear reporting relationship from the Annual General Meeting to the board, to the board committees and to the management.*

**5.21 Recommendation 21:  
codes of Best Practice, Board Manuals/Charters, Workplans and Corporate Governance Reports**

It was observed in the study that none of the institutions has developed and effected the use of codes of best practice in corporate governance, board manuals/charters and board workplans. It was further noted that none of the institutions reports annually on the extent of their corporate governance compliance. These have become mandatory requirements in corporate governance practice.

*It is recommended that all institutions develop and implement codes of best practice, board manuals/charters and board workplans, in addition to publishing a detailed annual corporate governance report.*

# ANNEXURE 1: THE INTERVIEW SCHEDULE (ENGLISH)

## CENTRE FOR CORPORATE GOVERNANCE

### A STUDY OF CORPORATE GOVERNANCE PRACTICES IN ACBF FUNDED PROJECTS IN AFRICA

#### RESEARCH INSTRUMENT NUMBER 1: THE INTERVIEW SCHEDULE

AUGUST 1, 2005 – NOVEMBER 30, 2005

<b>NAME OF THE INTERVIEWEE</b>
<b>POSITION OF THE INTERVIEWEE</b>
<b>NAME OF THE INSTITUTION</b>
<b>TYPE OF INSTITUTION</b>
<b>WHEN WAS INSTITUTION ESTABLISHED?</b>
<b>COUNTRY</b>
<b>DATE OF INTERVIEW</b>

#### A) **CHECK LIST** (Collect relevant copies)

1. Kindly indicate the Code of Best Practice that your institution (corporation) complies with:-

- Organisation for Economic Co-operation and Development (OECD)
- Commonwealth Association for Corporate Governance (CACG)
- King's Code II
- Centre for Corporate Governance (CCG)
- OHADA
- Any other \_\_\_\_\_ (Specify) \_\_\_\_\_
- If your corporation is not complying with any Code of Best Practice indicate why \_\_\_\_\_

2. Kindly indicate the “governance organ” that directs your institution (i.e. Board, Council, etc)

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3. Does the institution have

	Yes	No
i. A Legal instrument establishing it?		
ii. A Board Charter?		
iii. A Board Manual?		
iv. A Board Work Plan?		
v. A Code of Ethics?		
vi. A Code of Conduct?		

Does the Board have

	YES	NO
i) A Board Charter?		
ii) A Board Manual?		
iii) A Board Work Plan?		

**B) THE BOARD OF DIRECTORS** (Refers to the governance organ that directs your institution)

4. How many directors are there in the Board? \_\_\_\_\_

5. How many:

Executive Directors are in the Board?	
Non-Executive Directors are in the Board?	
Independent Directors are in the Board?	

6. In the table below list the names, qualifications, skills and competencies of the directors in your board

	NAME OF DIRECTOR	ACADEMIC / PROFESSIONAL QUALIFICATIONS	SKILLS AND COMPETENCIES
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2			
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5			

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19			
20			
21			
Others			

7. Explain how directors are appointed to the Board (indicating how often appointments are made, how individuals are identified, recruited and selected and by whom)

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8. How many times does the Board meet in a year? -----

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explain why -----

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9. Describe the “Powers” of the Board

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10. List the functions/responsibilities of the Board

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11. Are the directors inducted on first appointment?  Yes  No

Explain -----  
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12. Are there training/development programmes for directors?

Yes  No

Explain-----  
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13. Does the board experience conflicts of interest among the directors?

Yes  No

If yes, specify the nature of conflicts experienced in your board

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How are the conflicts of interest handled?

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14. Do the directors receive compensation for their services on the board?  
 Yes  No

If yes, list the various compensation packages that the directors receive

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15. Explain how the compensation for directors is determined?

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16. Do the directors have a fixed tenure of office?  Yes  No

Explain -----

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17. Have some of the directors attended a corporate governance course in the last three years?  Yes  No

If yes, list the names of the directors, their positions on the board, the duration of the course and topics covered (if known)

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18. In your view, does the board act as a freely independent decision making organ without fetter from any individual(s) or centers?  Yes  No

Explain -----  
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19. How often does the board receive and review:

- the corporation's Financial Reports?

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explain -----  
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- Operational Reports? -----

Explain -----  
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- Corporate Governance Reports? -----

Explain -----  
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- Does the corporation produce and distribute a corporate governance report annually?

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explain -----  
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20. Does the board monitor and evaluate:

- The performance of the Board as a whole?

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explain -----  
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- The performance of individual directors?

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explain -----  
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- The Chairman’s performance?

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explain -----  
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- The performance of the Chief Executive Officer?

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explain -----  
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- The overall institutional performance?

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explain -----  
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21. In your view, are all the directors aware of their legal duties and liabilities?

- Yes  No

explain -----  
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22. In your view, is risk management on the board’s agenda?  Yes  No

Explain -----  
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23. Does the corporation have “social responsibility programmes”?

- Yes  No

if yes, please list these programmes

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explain why the corporation is involved in these programmes

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24. Explain the communication procedures between the corporation and:

▪ the directors: -----  
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▪ Members/shareholders/owners -----  
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- Other stakeholders:
  - Development Partners -----  
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  - Financiers -----  
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  - Beneficiaries -----  
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  - Others -----  
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explain -----  
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25. Are there areas of conflict or overlap between the roles/duties of the board and management?  Yes  No



explain -----  
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- the management?  Yes  No

explain -----  
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**C) BOARD POLICIES** (Analyse the policy documents)

29. To what extent has the Board put in place policies on:

<b>POLICY</b>	<b>1-5</b>
Recruitment of the CEO	
Recruitment of all staff	
Internal control procedures	
Budgeting procedures	
Financial accounting procedures	
Financial auditing procedures	
Monitoring and evaluation	
Succession planning	
Communication and information	
Staff discipline	
Staff separation	
Board-Management relations	
Corporation-Donor relations	

**D) BOARD AND STRATEGY**

30. Explain the role that your Board plays in:

- Strategy formulation

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- Strategy implementation

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- Strategy monitoring

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- Strategy evaluation

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31. Strategic statements

- What is the vision statement of the corporation? -----

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- What is the mission statement of the corporation? -----

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- List the “Values” of the corporation -----

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32. Are the vision, mission and values of your institution known to all employees?  Yes  No

33. If your answer above is yes, to what extent do the employees adhere to these statements:

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**E) BOARD COMMITTEES**

34. Does your Board have Board Committees?  Yes  No

35. If your answer above is yes, list the names of the Committees

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36. Explain how the Board Committees are composed

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37. What are the powers delegated to the Board Committees?

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38. List the terms of reference for each Board Committee?

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39. What are the specific terms of reference for the Audit Committee?

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40. List the members of the Audit Committee.

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**F) BOARD REPORTS**

- List the various reports that the board receives, indicating source, purpose and frequency

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- List the various reports that the board prepares, indicating destination, purpose and frequency

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**G) BOARD DYNAMICS**

41. What is the latest time when directors receive board papers before a board meeting (i.e. 1day; 2 days; 3 days, one week, etc in advance)?

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Explain -----  
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Explain the steps and procedures followed during a board meeting from the beginning to the end

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**C) THE CHAIRMAN OF THE BOARD**

44. Explain the procedure for the appointment of the Chairman of the board

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45. Does the Chairman have a fixed tenure of office?  Yes  No

Explain -----  
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46. Are the positions of the Chairman and the Chief Executive Officer (CEO) occupied by separate persons?  Yes  No

47. Is there clear distinction of the roles, duties and functions of the Chairperson of the Board and the Chief Executive Officer?  
 Yes  No

Explain -----  
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**D) THE CHIEF EXECUTIVE OFFICER (CEO)**

48. Describe the "Powers" of the CEO

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49. List the responsibilities of the CEO

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50. Explain the procedures followed in the appointment of the CEO

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51. Is the Chief Executive Officer a member of the Board?  Yes  No

Explain -----  
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52. Explain the succession plan that is in place for the CEO's position

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53. Explain how the compensation packages for management including that of the CEO are developed and implemented

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54. List the performance indicators that the management has developed and implemented

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**L) Kindly complete this table as carefully as possible**

<b>ITEM</b>	<b>2001 – 2002</b>	<b>2002 – 2003</b>	<b>2003 – 2004</b>	<b>2004 – 2005</b>
Corporate Social Responsibility Contributions				
Product /Service Performance				
Client/Customer Satisfaction (%)				
Chief Executive Officer appointed				
Number of top executive officers appointed				
Number of top executive officers leaving				
Number of middle level officers leaving institution				
Number of top officers promoted				
Number of middle and top officers developed				
Total number of new employees				
Number of sick leaves reported				
Number of reported excused absences				
Reported number of late comers				

**M) Kindly provide the researchers with copies of the following documents**

1. Copies of audited financial statements for the following six years: 1999/2000; 2000/2001; 2001/2002; 2002/2003; 2003/2004; 2004/2005\*
2. Legal instrument(s) establishing the institution
3. Current Strategic Plan
4. Board Charter
5. Board Workplan
6. Board Manual
7. Code of Conduct
8. Code of Ethics
9. Personnel Manual
10. Procurement and Tendering Manuals
11. Institutional/Board Policies Document
12. Corporate Governance Report
13. Sampled Board Minutes from 2000 – 2005

**N) SUSTAINABILITY INDICES (for official use only)\***

<b>Performance Indicator</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
Assets (US\$)				
Liabilities (US\$)				
Liabilities/Assets Ratio				
Return on Investment (ROI)				

Return on Net Assets (RONA)				
Liquid Asset Ratio				
Cost Efficiency				
Revenue Concentration Index				
Administrative Cost Ratio				
Expense Concentration				
Programme Efficiency Ratio				
Funding Ratio				
Annual Growth Rate				
Generated income to funding ratio				
Corporate Social Responsibility Contributions				
Product /Service Performance				
Client/Customer Satisfaction Index				
Rate of Executive Turnovers				
Personnel development & promotions				
Employment stability/turnover.				
Growth in Employment				
Rate of Sick Leaves				
Rate of Excused Absences				
Tardiness				

## ANNEXURE 2 : FORMULAIRE D'INTERVIEW (FRANÇAIS)

CENTRE POUR LA GOUVERNANCE DES ORGANISATIONS<sup>1</sup>

ETUDE SUR LES PRATIQUES DE GOUVERNANCES DANS LES PROJETS  
FINANCES PAR L'ACBF EN AFRIQUE

INSTRUMENT DE RECHERCHE NUMERO 1:  
FORMULAIRE D'INTERVIEW

1er AOUT 2005 – 31 OCTOBRE 2005

NOM DE L'INTERVIEWE
POSITION DE L'INTERVIEWE
NOM DE L'INSTITUTION
TYPE D'INSTITUTION
DATE DE CREATION DE L'INSTITUTION
PAYS
DATE DE L'INTERVIEW

### E) INFORMATIONS DE BASE (Obtenir copies le cas échéant)

58. Veuillez indiquer le Code de Bonne Pratique que votre institution applique :

- Organisation de Coopération pour le Développement Economique (OCDE)
- Association pour la Gouvernance des Organisations dans le Commonwealth (CACG)
- King's Code II
- Centre pour la Gouvernance des Organisations (CCG)
- Organisation pour l'Harmonisation du Droit des Affaires (OHADA)
- Autres

\_\_\_\_\_ (Spécifier)  
 Si votre organisation n'applique actuellement aucun Code de Bonne Conduite, veuillez indiquer pourquoi \_\_\_\_\_

59. Veuillez indiquer « l'organe de gouvernance » qui régie votre institution (par exemple : Conseil, Comite, etc.)

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<sup>1</sup> Translated from English by Bakary Kone, Knowledge Management and Program Support Department, ACBF



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60. Votre institution a-t-elle :

	OUI	NON
vii. Un instrument légal de création?		
viii. Une Charte du Conseil?		
ix. Un Manuel du Conseil?		
x. Un Plan de Travail du Conseil?		
xi. Un Code d’Ethique?		
xii. Un Code de Conduite?		

Le Conseil a-t-il :

	OUI	NON
iv) Une Charte du Conseil?		
v) Un Manuel du Conseil?		
vi) Un Programme de Travail du Conseil?		

**F) LE CONSEIL D’ADMINISTRATION** (ce concept s’applique à toute structure de gouvernance, dont l’appellation peut être différente, qui régie votre institution). En cas d’appellation différente, comme s’appelle cet organe au sein de votre institution? \_\_\_\_\_

61. Combien d’administrateurs composent le Conseil d’administration? \_\_\_\_\_

62. Combien de :

Directeurs Exécutifs sont-ils membres du Conseil?	
Directeurs non-Exécutifs sont-ils membres du Conseil?	
Directeurs Indépendants sont-ils membre du Conseil?	

63. Veuillez lister dans le tableau ci-dessous les noms, qualifications, expériences et compétences des administrateurs de votre Conseil

	<b>NOM DE L'ADMINISTRATEUR</b>	<b>QUALIFICATIONS ACADEMIQUES / PROFESSIONNELLES</b>	<b>EXPERIENCES ET COMPETENCES</b>
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Autres			

64. Veuillez expliquer comment les administrateurs sont nommés au Conseil d'Administration (fréquence des nominations, identification des individus, sélection et nomination, quelle autorité les nomme)

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65. Combien de fois le Conseil se réunit-il au cours d'une année? -----

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Veuillez expliquer pourquoi : -----

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66. Décrire les « Pouvoirs » du Conseil

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67. Lister les fonctions/responsabilités du Conseil

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68. Les administrateurs reçoivent-ils une mise à niveau lors de leur nomination initiale?  Oui  Non

Veuillez expliquer -----

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69. Existe-t-il des programmes de formation /développement pour les administrateurs?  
 Oui  Non

Veillez expliquer -----  
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70. Le Conseil a-t-il connu des conflits d'intérêt parmi les administrateurs?  
 Oui  Non

Si oui, veuillez spécifier la nature des conflits qui sont apparus au sein du Conseil

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Comment sont traités ces conflits?

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71. Les administrateurs reçoivent-ils des indemnités en raison de leur service au Conseil d'Administration?

Oui  Non

Si oui, lister les différents types d'indemnités que reçoivent les administrateurs

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72. Expliquer comment ces indemnités pour les administrateurs sont déterminées?

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73. Les administrateurs ont-ils un mandat limité dans le temps?  Oui  Non

Veillez expliquer

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74. Certains administrateurs ont-ils participé à une formation sur la gouvernance des organisations au cours des trois dernières années?  Oui  Non

Si oui, indiquer les noms de ces administrateurs, leurs postes au sein du Conseil, la durée de la formation et les thèmes abordés

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75. A votre avis, le Conseil se comporte-t-il en organe indépendant de décision sans interférence extérieure ?  Oui  Non

Veillez expliquer -----  
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76. Combien de fois le Conseil reçoit-il et analyse:

- Les Etats Financiers de l'Institution?

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Veillez expliquer -----  
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- Les Rapports d'Activités de l'institution? -----  
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Veillez expliquer -----  
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- Les Rapports sur la Gouvernance au sein de l'institution? -----  
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Veillez expliquer -----  
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- L'institution produit-elle et distribue-t-elle un rapport annuel sur sa gouvernance?

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Veillez expliquer -----  
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77. Le Conseil assure-t-il le suivi et évaluation:

- La performance d'ensemble du Conseil?

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Veillez expliquer -----  
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- La performance individuelle des administrateurs?

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Veillez expliquer -----  
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- La performance du Président du Conseil ?

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Veillez expliquer -----  
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- La performance du Directeur Exécutif de l'Institution?

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Veillez expliquer -----  
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- La performance d'ensemble de l'institution?

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Veillez expliquer -----  
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78. A votre avis, tous les administrateurs sont-ils informés de leurs devoirs légaux et des responsabilités qu'ils impliquent?

Oui  Non

Veillez expliquer -----

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79. A votre avis, la gestion du risque est-elle inscrite à l'agenda du Conseil?  Oui  Non

Veillez expliquer -----

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80. Votre institution a-t-elle des programmes de « responsabilité sociale » ??

Oui  Non

Si oui, veuillez indiquer la liste de ces programmes

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Veillez expliquer pourquoi l'institution entreprend ce type de programmes

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81. Veuillez expliquer les procédures de communication entre l'institution et :

▪ Les Administrateurs : -----

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▪ Les Membres/Actionnaires ou Associés /Propriétaires -----

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▪ Autres partenaires :

○ Partenaires au Développement -----  
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○ Partenaires Financiers -----  
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○ Bénéficiaires -----  
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○ Autres -----  
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Veillez expliquer -----  
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82. Existe-t-il des zones de conflits ou de conflits de compétence entre les rôles /devoirs du Conseil d'Administration et ceux du Management?  Oui  No

Veillez expliquer -----  
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Si la réponse est oui, veuillez expliquer ces zones

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83. Les administrateurs demandent-ils des conseils/avis professionnels en dehors de l'institution?  Oui  Non

Si oui, veuillez expliquer la nature de ces avis/conseils -----  
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84. Lister les indicateurs de performance que le conseil d'administration a développés et appliqués à lui-même et à l'institution

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85. Les rôles et responsabilités du Conseil sont-ils clairs pour :

- Les administrateurs?  Oui  Non

Veillez expliquer -----  
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- Le Management?  Oui  Non

Veillez expliquer -----  
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**C) LES POLITIQUES DU CONSEIL** (Analyser les documents relatifs à ces politiques)

86. Dans quelle mesure le Conseil a-t-il défini une politique en matière de :

<b>POLITIQUE</b>	<b>1-5</b>
Recrutement du Directeur Exécutif	
Recrutement du personnel	
Procédures de contrôle interne	
Procédures budgétaires	
Procédures de Comptabilité Financière	
Procédures d'Audit Financier	
Suivi et Evaluation	
Succession planning	
Communication et d'Information	
Discipline du Personnel	
Séparation du Personnel	
Relations entre le Conseil et le Management	
Relations entre l'institution et les Donateurs	

**D) CONSEIL D'ADMINISTRATION ET STRATEGIE**

87. **Veillez expliquer le rôle que joue votre Conseil dans :**

- La Formulation des Stratégies

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- La Mise en oeuvre des Stratégies

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- Le Suivi des Stratégies

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- L'Evaluation des Stratégies

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88. Concepts Stratégiques

- Quelle est la déclaration relative à la Vision de votre institution? -----

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- Quelle est la déclaration relative à la Mission de votre institution? -----

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- Veuillez lister les « Valeurs » de votre institution -----

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89. La Vision, la Mission et les Valeurs de votre institution sont-elles connues de tous les employés?  Oui  Non

90. Dans l'affirmative, dans quelle mesure les employés adhèrent-ils à ces concepts ?

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**E) COMITES SPECIALISES DU CONSEIL**

91. Votre Conseil a-t-il des Comités Spécialisés?  Oui  Non

92. Dans l'affirmative, veuillez indiquer les noms de ces Comités

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93. Veuillez expliquer comment ces Comités sont composés

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94. Quels sont les pouvoirs délégués à ces Comités ?

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95. Veuillez indiquer les termes de référence de chacun de ces Comités

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96. Quels sont, de manière spécifique, les termes de référence du Comité d'Audit ?

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97. Veuillez lister les membres du Comité d'Audit

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**F) RAPPORTS DU CONSEIL**

- Lister les rapports que reçoit le Conseil, en indiquant pour chacun la source, le but et la fréquence

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- Lister les rapports que prépare le Conseil, en indiquant pour chacun la source, le but et la fréquence

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**G) DYNAMIQUE DU CONSEIL**

98. A quel moment les administrateurs reçoivent-ils les documents de travail du Conseil avant une session ? ( 1 jour; 2 jours; 3 jours, une semaine, etc., plus d'une semaine à l'avance)?

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Veillez expliquer -----

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Veillez expliquer les étapes et les procédures suivies du début a la fin d'une session du Conseil

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99. Quelle est la durée des réunions du Conseil? -----

Veillez expliquer -----

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100. Les décisions du Conseil se prennent-elles pour la plupart par vote ou par consensus? -----

Veillez expliquer -----

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Qui détermine l'Ordre du Jour d'une session du Conseil ? -----  
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Comment sont déterminés le site et les horaires des sessions du Conseil et de ses Comités  
Spécialisés ?

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**G) LE PRESIDENT DU CONSEIL D'ADMINISTRATION**

101. Veuillez expliquer la procédure de nomination du Président du Conseil d'Administration

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102. Le Président du Conseil a-t-il un mandat limité dans le temps ?  
 Oui  Non

Veuillez expliquer -----  
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103. Les postes de Président du Conseil et de Directeur Exécutif sont-ils occupés par deux personnes différents  Oui  Non

104. Existe-t-il une distinction claire entre les rôles, devoirs et fonctions de Président du Conseil et de Directeur Exécutif ?  
 Oui  Non

Veuillez expliquer -----  
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**H) LE DIRECTEUR EXECUTIF**

105. Veuillez décrire les « Pouvoirs » du Directeur Exécutif

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106. Veuillez lister les responsabilités du Directeur Exécutif

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107. Veuillez expliquer les procédures appliquées pour le recrutement du Directeur Exécutif

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108. Le Directeur Exécutif est-il membre du Conseil d'Administration  
 Oui  Non

Veuillez expliquer -----  
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109. Veuillez expliquer le plan de succession mis en place pour le poste de Directeur Exécutif

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110. Veuillez expliquer comment les salaires et indemnité, y compris ceux du Directeur Exécutif, sont déterminés et payés

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111. Veuillez lister les indicateurs de performance développés et mis en œuvre par le Management

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112. L'Institution a-t-elle une structure organisationnelle bien établie ?   
Oui  Non

Si oui, veuillez décrire cette structure organisationnelle

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**J) PARTENAIRES ET RELATIONS**

113. Veuillez lister les responsabilités des Membres/Partenaires /Propriétaires de votre institution

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114. Veuillez décrire les relations hiérarchiques entre :

Le Management et le Conseil d'Administration

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Le Conseil d'Administration et les Membres/Partenaires/Propriétaires

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**K) OBJECTIFS ET IMPACT**

- Veuillez lister les principaux objectifs de votre institution

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- Veuillez lister les principales productions attendues de votre institution

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- Veuillez lister les principaux résultats attendus de votre institution





**L) Veuillez compléter le tableau ci-dessous avec autant d'attention que possible**

<b>ELEMENT</b>	<b>2001 – 2002</b>	<b>2002 – 2003</b>	<b>2003 – 2004</b>	<b>2004 – 2005</b>
Contributions de Responsabilité Sociale de l'Institution				
Produit /Performance du Service				
Client/ Satisfaction Client (%)				
Directeur Exécutif recruté				
Nombre de Cadres Supérieurs recrutés				
Nombre de Cadres Supérieurs ayant quitté l'institution				
Nombre de Cadres Moyens ayant quitté l'institution				
Nombre de Cadres Supérieurs promus				
Nombre de Cadre Moyens et Supérieurs formés				
Nombre total de Nouveaux Employés				
Nombre de Congés Maladie recensés				
Nombre d'Absences Excusées recensées				
Nombre de Retardataires Chroniques recensés				

**M) Veuillez remettre à l'équipe de Consultants de l'Etude une copie des documents suivants :**

1. Etats financiers audités pour les six années suivantes : 1999/2000; 2000/2001; 2001/2002; 2002/2003; 2003/2004; 2004/2005\*
2. Instruments légaux de création de l'institution
3. Plan Stratégique en cours de mise en oeuvre
4. Charte du Conseil d'Administration
5. Plan de Travail du Conseil d'Administration
6. Manuel du Conseil d'Administration
7. Code de Conduite
8. Code d'Ethique
9. Manuel des Ressources Humaines
10. Manuels de d'Approvisionnement et d'Appels d'Offres
11. Documents Institutionnels /documents de Politiques du Conseil d'Administration
12. Rapport sur la Gouvernance au sein de l'institution
13. Echantillon de Minutes du Conseil d'Administration 2000 – 2005

**N) INDICES DE VIABILITE A LONG TERME (réservés à l'usage officiel)\***

<b>Indicateurs de Performance</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
Actifs (US\$)				
Passifs (US\$)				
Ratio Passifs /Actifs				
Retour sur Investissements (ROI)				
Retour sur Actifs Nets (RONA)				
Ratio de Liquidité de l'Actif				
Coût d'Efficienc				
Index de Concentration du Revenu				
Ratio de Coûts Administratifs				
Concentration des Charges				
Ratio d'Efficienc du Programme				
Ratio de Financement				
Ratio de Croissance Annuelle				
Revenu Généré / Ration de Financement				
Contributions de Responsabilité Sociale de l'Institution				
Produit / Performance du Service				
Client/ Index de Satisfaction de la Clientèle				
Taux de Rotation des Cadres				
Développement et Promotions du Personnel				
Stabilité de l'Emploi /Revenus				
Croissance de l'Emploi				
Taux de Congés Maladie				
Taux d'Absences Excusées				
Taux de Retards				

## ANNEXURE

## ANNEXURE 3: THE QUESTIONNAIRE (ENGLISH)

CENTRE FOR CORPORATE GOVERNANCE

A STUDY OF CORPORATE GOVERNANCE PRACTICES IN ACBF FUNDED  
PROJECTS IN AFRICA

RESEARCH INSTRUMENT NUMBER 2:  
THE QUESTIONNAIRE

AUGUST 1, 2005 – NOVEMBER 30, 2005

NAME OF THE PARTICIPANT
POSITION OF THE PARTICIPANT
NAME OF THE INSTITUTION
TYPE OF INSTITUTION
WHEN WAS INSTITUTION ESTABLISHED?
COUNTRY
DATE OF COMPLETING QUESTIONNAIRE

### 1) THE BOARD OF DIRECTORS

Kindly rate, on the following scale, the extent to which your board performs the following functions.

5: Excellent; 4: Good; 3: Satisfactory; 2: Fair; 1: Poor

Criteria	Rating 1 - 5
<b>GENERAL OPERATIONS OF THE BOARD</b>	
The Board knows and understands the organization's values, philosophy, vision and mission.	
The board reassesses the beliefs, values, philosophy, mission and vision of the organisation annually	

The Board clearly understands the distinction between governance and management and focuses on governance	
The Board has put in place and communicated the necessary policies defining the scope of power, roles and responsibilities of the management as well as the standards to be adhered to	
The Board understands and upholds its first and critical duty “to act in the best interest of the organisation”.	
The Board has in all its transactions upheld its second duty to always act in good faith.	
The Board has in all its transactions effectively dealt with all conflicts of interest.	
The Board understands and clearly reviews and redefines its functions annually.	
The Board has access, when necessary, to professional advisors.	
Board’s activities are conducted in an atmosphere of creative interaction that facilitates candid deliberations and rigorous decision making.	
Formal review of the performance of the Board, individual directors, the Chairman and the Chief Executive is an integral part of the culture of the Board.	
<b>BOARD STRUCTURE</b>	
The Board is well constituted with a balanced mix of executive, non-executive and independent non-executive directors; mix of competencies and skills; age; gender; geographical coverage;	
The roles of Chairperson of the Board and Chief Executive Officer are separate and held by different persons.	
The Board has established and appointed committees in line with good corporate governance principles and practice.	
The terms of reference of each committee of the board are defined and codified.	

The board exercises effective control over its committees and receives reports on their activities and approves or ratifies their decisions.	
<b>SELECTION, APPOINTMENT, INDUCTION, DEVELOPMENT, ROTATION AND SUCCESSION OF DIRECTORS</b>	
The Board is actively involved in the sourcing and selection of directors	
The selection process considers deficiencies in the current Board	
There is an appropriate induction process for new directors	
Board members are encouraged to improve their knowledge and skills in corporate governance.	
The Board has an effective mechanism for dealing with directors who are unable /unwilling to contribute according to the directors' mandates /charter.	
An effective succession plan is in place for the Board, the Chairman, Chief Executive Officer and senior management and the same is reviewed regularly.	
<b>BOARD EFFECTIVENESS</b>	
The Board agrees annually an effective Work plan and calendar of meetings	
Board members receive timely/accurate agenda, minutes, notices, e.t.c in advance of meetings.	
Formal reporting procedures have been adopted by the Board.	
Board meetings are generally attended by all members who participate effectively.	
Board meetings are conducted in a manner that encourages open communication, meaningful participation, and timely resolution of issues.	
Board members are fully informed of developments in the organization and there are no surprises.	

The Board ensures that key members of management are brought into the Board meetings as and when necessary	
All proceedings and resolutions of the Board are recorded accurately and circulated in time	
<b>STRATEGIC DIRECTION</b>	
The Board is fully involved in the formulation, evaluation and review of strategy.	
The Board is fully involved in the monitoring of strategy.	
Proposals from management are analyzed and debated effectively.	
<b>STEWARDSHIP OF RESOURCES</b>	
The Board has in place an effective organisation structure and ensures optimum use of the resources available.	
The Board ensures satisfaction and motivation of the human resources through the maintenance of a humane and conducive work environment.	
The Board ensures the efficient utilisation of the organization's financial resources and accountability for the said resources.	
The Board ensures the efficient utilisation of the organisation's physical facilities.	
<b>ASSESSING PERFORMANCE</b>	
The Board determines, annually, the objectives and measurement criteria for performance.	
The Board measures performance effectively both quantitatively and qualitatively	

An exhaustive range of appropriate performance indicators are used to monitor the performance.	
The Board reviews, at least, annually the performance indicators to determine their relevance and effectiveness and reformulates them as required.	
The performance of the Chief Executive Officer and the Management team is determined and regularly reviewed by the Board and corrective action taken as necessary.	
<b>RISK MANAGEMENT</b>	
Risk management is on the agenda of the Board	
The Board has in place an effective Audit Committee constituted in accordance with best practice.	
The Board has identified the major risks that threaten the organization and mitigated against them including loss of human resources, intellectual property and key financiers	
The Board has put in place contingency plans for all key risks identified.	
<b>LEGAL COMPLIANCE</b>	
The Board has received and is familiar with the instruments constituting the organization and the mandate under which the organization operates.	
The Board has put in place procedures and constantly monitors the activities of the organization to ensure that the organization is meeting its legal responsibilities.	
The Board carries out an annual solvency test.	
The Board annually carries out a legal and financial audit and reports the results to its members.	
The Board has put in place a code of corporate governance practice and constantly monitors compliance.	

The Company Secretary, or an officer in that capacity, effectively advises Board members as required on matters of law and governance.	
<b>ACCOUNTABILITY</b>	
The Board has developed and regularly reviews the communication strategy for the organization.	
The Board receives sufficient information from management in an appropriate format as determined by the Board.	
The Board's information requirements are communicated to management on a regular basis.	
Requested information is received in a timely fashion.	
The Board has identified, promulgated policies and ensures that it effectively deals with the groups to which it is accountable and responsible	
The Board accounts fully to its internal and external stakeholders	
<b>TOTAL</b>	

<b>INSTITUTIONAL PERFORMANCE</b>	
Assessment of institutional efficiency and effectiveness in use of entrusted resources	
Rating of sense of Accountability and responsiveness by Donors, development Partners and Financiers	
Usefulness of institutional products and services as demonstrated by Users and intended beneficiaries	
Assessment of institutional reputation, image and impact	
Staff assessment of suitability of leadership and governance	
Peer assessment of institutional product quality and standard	



Viability of products and the Institution	
Longevity and Sustainability of institution	
<b>SUB-TOTAL</b>	

**2) CHAIRMAN OF THE BOARD**

**Kindly rate, on the following scale, the extent to which the Chairman of your board performs the following functions.**

**5: Excellent; 4: Good; 3: Satisfactory; 2: Fair; 1: Poor**

<b>Criteria</b>	<b>Rating (1-5)</b>
<b>LEADERSHIP</b>	
The Chairman is an effective leader who has commitment, experience, intelligence, competence, skill, business acumen, vision, inspiration and the ability to assess and take calculated risks all of which he brings to bear in Board leadership	
The Chairman is first among equals who taps knowledge and experience of every director	
The Chairman promotes confidence in the organisation, portraying the requisite leadership in the community	
The Chairman is an effective communicator	
The Chairman ensures effective flow of information to and from the Board	
The Chairman is effective in ensuring discipline in the Board	
The Chairman is effective in promoting the training and development of directors	
The Chairman manages meetings effectively and actively encourages the participation of all members	
<b>TOTAL</b>	
<b>STAKEHOLDER RELATIONSHIPS</b>	

The Chairman relates effectively with financiers and potential financiers	
The Chairman is effective in mentoring and providing guidance to directors	
The Chairman is effective in mentoring and providing guidance to the Chief Executive Officer	
The Chairman is effective in developing relationships and representing the organisation to all stakeholders	
The Chairman is effective in leading the organisation in socially responsible activities	
<b>TOTAL</b>	
<b>GRAND TOTAL</b>	

### 3) CHIEF EXECUTIVE OFFICER (MANAGING DIRECTOR)

Kindly rate, on the following scale, the extent to which the Chief Executive Officer of your corporation performs the following functions.

5: Excellent; 4: Good; 3: Satisfactory; 2: Fair; 1: Poor

Criteria	Rating (1-5)
<b>LEADERSHIP</b>	
The Chief Executive has the ingredients of an effective leader namely focus, commitment, experience, intelligence, competence, skill, business acumen, imagination, vision, inspiration and the ability to assess and take calculated risks all of which he brings to bear and provides effective leadership to management	
The Chief Executive is result oriented	
The Chief Executive promotes confidence in the organisation, portraying the requisite leadership in the community	
The Chief Executive is an effective communicator	
The Chief Executive facilitates effective flow of information to and from the Board	
The Chief Executive is effective in communicating and implementing policies	
<b>TOTAL</b>	
<b>CONDUCT OF AFFAIRS OF ORGANIZATION</b>	
The Chief Executive is effective in managing the day to day affairs of the organisation	
The Chief Executive is effective in developing proposals for consideration by the Board	

The Chief Executive has a clear understanding of the mission, vision and values of the organization as well as the strategy and has delivered on the same during the period under review	
The Chief Executive ensures effective internal controls and accountability	
The Chief Executive maintains a conducive work environment for attracting retaining and motivating employees and fosters a corporate culture that promotes ethical practices	
The Chief Executive is effective in ensuring an effective management team structure and has put into place effective management succession plans	
The Chief Executive is effective in mentoring and providing guidance to the Management	
The Chief Executive ensures continuous improvement in the quality and value of the products and services provided by the company	
The Chief Executive is effective in developing relationships and representing the organization to regulators and government agencies in conjunction with the Chairman	
<b>TOTAL</b>	
<b>GRAND TOTAL</b>	

## ANNEXURE 4 : QUESTIONNAIRE (FRANÇAIS)

CENTRE POUR LA GOUVERNANCE DES ORGANISATIONS<sup>2</sup>

ETUDE SUR LES PRATIQUES DE GOUVERNANCES DANS LES PROJETS  
FINANCES PAR L'ACBF EN AFRIQUE

INSTRUMENT DE RECHERCHE NUMERO 2:  
QUESTIONNAIRE

1er AOÛT 2005 – 31 OCTOBRE 2005

NOM DU PARTICIPANT
POSTE DU PARTICIPANT
NOM DE L'INSTITUTION
TYPE D'INSTITUTION
DATE DE CREATION DE L'INSTITUTION
PAYS
DATE A LAQUELLE LE QUESTIONNAIRE A ETE REMPLI

1) LE CONSEIL D'ADMINISTRATION

**Veillez évaluer, suivant l'échelle ci-dessous, dans quelle mesure le Conseil d'Administration remplit les fonctions suivantes.**

**5: Excellent; 4: Bien; 3: Satisfaisant; 2: Passable; 1: Médiocre**

<b>Critères</b>	<b>Notes 1 - 5</b>
<b>OPERATIONS GENERALES DU CONSEIL D'ADMINISTRATION</b>	
Le Conseil est informé et a une bonne connaissance des valeurs, de la philosophie, de la vision et de la mission de l'institution	

<sup>2</sup> Translated from English by Bakary Kone, Knowledge Management and Program Support Department, ACBF

Le Conseil réévalue annuellement les croyances, les valeurs, la philosophie, la mission et la vision de l'institution	
Le Conseil a une claire compréhension de la distinction entre la gouvernance et la gestion et se consacre aux questions de gouvernance	
Le Conseil a mis en place et communiqué les politiques nécessaires définissant l'étendue des pouvoirs, rôles et responsabilités du Management de même que les standards à respecter en la matière.	
Le Conseil a une claire compréhension et prend à cœur son premier devoir et le plus critique qui est « d'agir dans le meilleur intérêt de l'institution ».	
Le Conseil a, dans toutes ses actions, pris à cœur son second devoir qui de toujours agir de bonne foi.	
Le Conseil a, dans toutes ses actions, effectivement traité tous les conflits d'intérêt.	
Le Conseil a une compréhension claire de ses fonctions et procède à une analyse et une redéfinition de celles-ci chaque année.	
Le Conseil a accès, quand cela est nécessaire, à des conseils de professionnels.	
Les activités du Conseil sont conduites dans une atmosphère d'interaction créative qui conduisent à des délibérations impartiales et une prise de décision rigoureuse.	
La revue formelle des performances du Conseil, des Administrateurs pris individuellement, du Président du Conseil et du Directeur Exécutif est une partie intégrante de la culture du Conseil.	
<b>STRUCTURE DU CONSEIL D'ADMINISTRATION</b>	
Le Conseil est constitué sur un équilibre entre les administrateurs exécutifs, non exécutifs et indépendants, d'une part, et sur un pool de compétences, d'expériences, d'âges, de genre et sur une répartition géographique équitable.	
Les fonctions de Président du Conseil d'Administration et de Directeur Exécutif sont distinctes et assurées par des personnes différentes.	
Le Conseil a établi ou nommé en son sein des Comités qui concourent à faire progresser les pratiques et les principes de bonne gouvernance	

Les termes de référence de chaque Comité du Conseil d'Administration sont clairement définis et codifiés.	
Le Conseil exerce un contrôle effectif sur ces Comités, reçoit des rapports sur leurs activités, approuve et entérine leurs décisions.	
<b>SELECTION, RECRUTEMENT, INFORMATION, DEVELOPPEMENT, ROTATION ET SUCCESSION DES ADMINISTRATEURS</b>	
Le Conseil est activement impliqué dans le processus d'identification et de sélection des Administrateurs.	
Le processus de sélection a été déficient en ce qui concerne le Conseil d'Administration actuel	
Le processus d'information des nouveaux administrateurs est adéquat	
Les membres du Conseil sont encouragés à accroître leurs connaissances et expérience en matière de gouvernance des organisations	
Le Conseil dispose de mécanismes adéquats pour régler le cas des administrateurs qui sont incapables ou non enclins à contribuer à la réalisation du mandat ou de la charte des administrateurs	
Un plan de succession adéquat est en place et est revu annuellement en ce qui concerne le Conseil, le Président du Conseil, le Directeur Exécutif et les cadres supérieurs.	
<b>PERFORMANCE DU CONSEIL</b>	
Le Conseil s'accorde annuellement sur un Plan de Travail et un calendrier des sessions	
Les membres du Conseil reçoivent à temps l'ordre du jour, les minutes, les notes, etc. bien avant les sessions du Conseil.	
Des procédures formelles d'émission des rapports ont été adoptées par le Conseil	



Tous les membres du Conseils sont présents et participent activement aux sessions du Conseil.	
Les sessions du Conseil sont conduites de manière à encourager une communication ouverte, une participation significative et une résolution à temps des problèmes.	
Les membres du Conseil sont adéquatement informés de tous les développements dans l'institution et n'ont par conséquent aucune surprise.	
Le Conseil s'assure que les personnes-clés du Management sont invités à ses sessions si et quand cela est nécessaire.	
Tous les débats et résolutions du Conseil sont pris en notes correctement et à temps.	
<b>DIRECTION STRATEGIQUE</b>	
Le Conseil est totalement impliqué dans la formulation, l'évaluation et la revue des stratégies de l'institution.	
Le Conseil est totalement impliqué dans le suivi- évaluation de ces stratégies	
Les propositions du Management sont analysées et effectivement débattues	
<b>GESTION DES RESSOURCES</b>	
Le Conseil a mis en place une structure de gestion efficace qui assure une gestion optimale des ressources disponibles.	
Le Conseil s'assure de la satisfaction et de la motivation du personnel à travers la mise en place d'un environnement de travail humain favorable.	
Le Conseil s'assure de l'utilisation efficiente des ressources financières et de la responsabilité dans la gestion desdites ressources.	
Le Conseil s'assure de l'utilisation efficiente des actifs physiques de l'institution.	
<b>EVALUATION DES PERFORMANCES</b>	

Le Conseil détermine annuellement les objectifs et les critères de mesure des performances	
Le Conseil s'assure de la mesure effective des performances aussi bien quantitatives que qualitatives	
Une batterie exhaustive d'indicateurs appropriés des performances est utilisée pour suivre et évaluer les performances	
Le Conseil effectue la revue, au moins une fois par an, les indicateurs de performance pour déterminer leur validité et leur efficacité, et les reformule si nécessaire.	
Les performances du Directeur Exécutif et de l'Equipe de Gestion (Management) sont régulièrement revues et évaluées par le Conseil qui prend des mesures de correction, si nécessaire.	
<b>GESTION DU RISQUE</b>	
La gestion du risque est inscrite à l'agenda du Conseil	
Le Conseil a mis en place un Comité d'Audit efficace, constitué conformément aux meilleures pratiques en la matière.	
Le Conseil a identifié les principaux risques qui menacent l'institution – perte de ressources humaines, de propriété intellectuelle et des soutiens financiers- clés - et pris des mesures pour y faire face	
Le Conseil a mis en place des plans de contingence pour faire face aux principaux risques identifiés	
<b>OBLIGATIONS LEGALES</b>	
Le Conseil a reçu et est familier des instruments constitutifs de l'institution et du mandat selon lequel l'institution opère.	
Le Conseil a mis en place les procédures et assure constamment le suivi – évaluation des activités de l'institution afin de s'assurer que l'institution remplit ses responsabilités légales.	

Le Conseil entreprend annuellement un test de solvabilité de l'institution.	
Le Conseil fait faire un audit légal et financier annuel de l'institution et en fait rapport à ses membres.	
Le Conseil a mis en place un Code de Bonne Gouvernance au sein de l'institution et en fait régulièrement le suivi- évaluation.	
Le Secrétaire Général, ou toute autre personne en faisant office, avise les membres du Conseil d'Administration sur les questions légales et de gouvernance	
<b>RESPONSABILITE</b>	
Le Conseil a développé et revoie régulièrement la stratégie de communication de l'institution.	
Le Conseil reçoit suffisamment d'information du Management selon le format approprié qu'il requiert.	
Les exigences d'information du Conseil sont régulièrement communiquées	
Ces informations sont reçues en temps opportun par le Conseil	
Le Conseil a identifié, promulgué des politiques et s'assure qu'elles sont appliquées par les groupes pour lesquels il est responsable.	
Le Conseil est totalement responsable devant ses partenaires internes et externes	
<b>TOTAL</b>	

<b>PERFORMANCE INSTITUTIONNELLE</b>	
Evaluation de l'efficacité et de l'efficience institutionnelles dans l'utilisation des ressources mises a disposition	
Notation de la Responsabilité et du Répondant par les Donateurs, les Partenaires au	

Développement et les Bailleurs de Fonds.	
Utilité des produits et services institutionnels démontrée par les utilisateurs et conforme aux attentes des bénéficiaires.	
Evaluation de la réputation, de l'image et de l'impact de l'institution	
Evaluation par le personnel du style de leadership de gouvernance de l'institution	
Evaluation par les institutions paires de la qualité institutionnelle des produits et standards	
Viabilité des produits et de l'Institution	
Longévité et viabilité à long terme de l' institution	
<b>SUB-TOTAL</b>	

## 2) PRESIDENT DU CONSEIL D'ADMINISTRATION

Veillez évaluer, suivant l'échelle ci-dessous, dans quelle mesure le Président du Conseil d'Administration remplit les fonctions suivantes.

5: Excellent; 4: Bien; 3: Satisfaisant; 2: Passable; 1: Médiocre

Critères	Notes (1-5)
<b>LEADERSHIP</b>	
Le Président du Conseil est effectivement un leader, engagé, expérimenté intelligent, compétent, doté d'un sens aigu de gestion, de vision, d'inspiration, et capable d'évaluer et de prendre des risques calculés, toutes qualités dont il fait usage dans la direction du Conseil d'Administration.	
Le Président du Conseil est le premier de ses pairs à attacher de l'importance à su savoir et l'expérience de chaque administrateur	
Le Président du Conseil fait la promotion de la confiance en l'institution, personnifiant le leadership requis au sein de la communauté	
Le Président du Conseil est un véritable communicateur	
Le Président du Conseil assure une circulation effective de l'information de et vers le Conseil d'Administration	
Le Président du Conseil assure la discipline au sein du Conseil	
Le Président du Conseil assure la promotion de la formation et du développement des administrateurs	
Le Président du Conseil gère les sessions de manière efficace et encourage la participation effective de tous les membres.	
<b>TOTAL</b>	
<b>RELATIONS AVEC LES PARTENAIRES</b>	

Le Président du Conseil est en liaison effective avec les bailleurs de fonds actuels et potentiels	
Le Président du Conseil assure efficacement son rôle de mentor et de guide pour les autres administrateurs	
Le Président du Conseil assure efficacement son rôle de mentor et de guide pour le Directeur Exécutif	
Le Président du Conseil est efficace dans le développement de liens de travail et dans sa représentation de l'institution vis-à-vis de ses partenaires	
Le Président du Conseil est efficace dans la conduite de l'institution dans la activités de responsabilité sociale	
<b>TOTAL</b>	
<b>TOTAL GENERAL</b>	

**3) DIRECTEUR EXECUTIF  
(DIRECTEUR GENERAL, SECRETAIRE EXECUTIF, ETC.)**

**Veillez évaluer, suivant l'échelle ci-dessous, dans quelle mesure le Directeur Exécutif remplit les fonctions suivantes.**

**5: Excellent; 4: Bien; 3: Satisfaisant; 2: Passable; 1: Médiocre**

<b>Critères</b>	<b>Notes (1-5)</b>
<b>LEADERSHIP</b>	
Le Directeur Exécutif possède toutes les capacités d'un leader effectif, notamment la concentration, l'engagement, l'expérience, l'intelligence, la compétence, le sens de la gestion, l'imagination, la vision, l'inspiration et la capacité a prendre des risques calculés, toutes qualités dont il fait usage dans la gestion de l'institution	
Le Directeur Exécutif est orienté résultats.	
Le Directeur Exécutif fait la promotion de la confiance en l'institution, personnalisant le leadership requis au sein de la communauté	
Le Directeur Exécutif est effectivement un bon communicateur	
Le Directeur Exécutif facilite la circulation de l'information de et vers le Conseil d'Administration	
Le Directeur Exécutif est efficace dans la communication et la mise en œuvre des politiques	
<b>TOTAL</b>	
<b>CONDUITE DES AFFAIRES DE LOF ORGANIZATION</b>	
Le Directeur Exécutif est efficace dans la gestion quotidienne des affaires de l'Institution	
Le Directeur Exécutif est efficace dans la préparation de propositions a soumettre au Conseil d'Administration	

Le Directeur Exécutif a une compréhension claire de la mission, de la vision et des valeurs de l'institution de même que de sa stratégie, et l'a amplement démontré au cours de la période sous revue	
Le Directeur Exécutif s'assure que le contrôle interne et le système de responsabilité sont efficaces	
Le Directeur Exécutif maintient un environnement de travail favorable qui attire, retient et motive les employés et développe une culture de l'institution qui fait la promotion de l'éthique.	
Le Directeur Exécutif est efficace dans la mise en œuvre d'une structure de travail en équipe et mis en place des plans fiables de succession	
Le Directeur Exécutif assure efficacement son rôle de mentor et de guide du Management	
Le Directeur Exécutif assure l'amélioration continue de la qualité et de la valeur des produits et services fournis par l'institution	
Le Directeur Exécutif développe des relations chaleureuses et représente efficacement l'institution auprès des régulateurs et des agences gouvernementales en collaboration avec le Président du Conseil d'Administration	
<b>TOTAL</b>	
<b>TOTAL GENERAL</b>	