



OFFICE OF THE PRESIDENT
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NAIROBI

29th June, 2011
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**All Permanent Secretaries/Accounting Officers
The Clerk, National Assembly
The Registrar, High Court of Kenya
All Chief Executive Officers, State Corporations**

**PERFORMANCE EVALUATION FOR BOARDS OF
DIRECTORS, CHAIRMEN, BOARD MEMBERS AND CHIEF
EXECUTIVE OFFICERS**

The State Corporations (Performance Contracting) Regulations 2004 provide for incentives, bonuses and sanctions based on performance. Globally the best way this has been achieved is through an annual evaluation process for Boards of Directors, their Chairpersons, members and Chief Executive Officers.

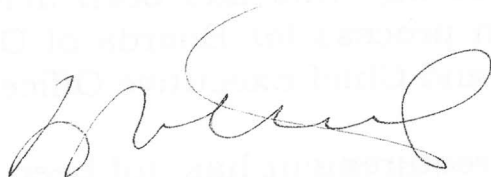
In our situation however this requirement has not been adopted by majority of State Corporations. This can be attributed to absence of an appropriate criteria set out in standard tools for evaluation. As a result, there are no records on performance of Board Chairpersons and individual Directors. In some cases, Boards of Directors have also failed to evaluate the CEO on an annual basis which makes it difficult to arrive at informed and fair decision when deciding whether to renew contracts of employment at the end of term.

To avoid such situations, the Government has now developed standard evaluation tools aimed at helping State Corporations

Boards evaluate their Chairpersons, Directors and the Chief Executive Officer(s) annually.

The tools which have been developed by the State Corporations Advisory Committee (SCAC) in collaboration with 50 State Corporations were tested on a pilot basis for a period of 12 months (One year) to ensure their suitability in application. Following the development of the tools, there is no compelling reason why State Corporations should in future fail to evaluate their Chairpersons, Directors and Chief Executive Officer's.

In this regard, it has been decided that commencing 1st July, 2011, Boards of Directors will henceforth carry out annual performance evaluation and file reports with responsible Permanent Secretaries/Accounting Officers and the State Corporations Advisory Committee (SCAC). For purpose of uniformity the forms circulated with this Circular shall be used in the evaluation. For ease of access the State Corporations Advisory Committee has been asked to post the forms on their website at www.scac.go.ke.



AMB. FRANCIS K. MUTHAURA, EGH.
PERMANENT SECRETARY/SECRETARY TO THE
CABINET AND HEAD OF THE PUBLIC SERVICE

CC. Inspector-General (Corporations)
Inspectorate of State Corporations

Secretary, State Corporations Advisory
Committee

GUIDE TO BOARD SELF APPRAISAL

KEY ISSUES TO BE ADDRESSED

1. Mandate

- ◆ Boards interpreted the mandate of the Corporation.
- ◆ How well does the Board comprehend the mandate of the Corporation
- ◆ Relevance of the mandate to national economic development.
- ◆ Desired future given the mandate.

2. Strategic Plan

- ◆ Boards articulation of the strategic thrust of the Corporation.
- ◆ Integration of the strategic plan with the national development plan and the Kenya Vision 2030.
- ◆ Identification of Key Performance Indicators.
- ◆ Monitoring and evaluation of performance against the Key Performance Indicators
- ◆ Sufficiency, quality and content of strategic plan.
- ◆ Reflection of the strategic plan at an operational level in the business plan.
- ◆ Review of the Corporation's performance against the business plan.
- ◆ Strategies for providing resources required for implementation of the strategy.

3. Performance Contract

- ◆ Participation in identification of performance targets for the Corporation's performance contract.
- ◆ Performance contract and implementation of implementation of the strategic plan.

4. Shareholder(s)

- ◆ Alignment of Corporation's objectives with those of Parent Ministry and Vision 2030 expectations.
- ◆ Full and accurate reporting on Corporation affairs to the Government.
- ◆ Relationship with the Government.
- ◆ Board's relationships with monitoring agencies.

5. The Stakeholders

- ◆ Identification of key stakeholders.
- ◆ Policy determining how the Corporation will relate with stakeholders.
- ◆ State of the relationship with the key stakeholders.

6. Legal/Ethical Duties

- ◆ Compliance with all legal/ethical requirements.
- ◆ Existence of a code of Ethics/ Adherence to the Public Officer Ethics Act 2003.
- ◆ The Corporation as an employer.
- ◆

7. The Direction of the Corporation

- ◆ Adequacy of Board's monitoring of the Corporation.
- ◆ Identification of important by the Board, their analysis and deliberation.

8. The CEO

- ◆ Definition and adequacy of the CEO's Job Description.
- ◆ Adequacy of the Boards leadership and advice to the CEO.
- ◆ Monitoring, evaluation and appraisal of the CEO's performance.
- ◆ Separation of powers/roles between the Board and the CEO.

9. Board Meetings

- ◆ Relevance, appropriateness and timeliness of the information supplied to the Board.
- ◆ Adequacy of preparation and planning for Board meetings.
- ◆ Frequency, propriety and style of meetings.
- ◆ Attendance of Board meetings and participation.
- ◆ Propriety and structure of the Board and its Committees.
- ◆ Accuracy, timeliness and maintenance of minutes.
- ◆ Follow up on actions necessary and/or reports to the Board on actions taken.

10. Individual Board Member Contributions

- ◆ Execution of Chairman's role.
- ◆ Recognition and use of individual Board members' particular skills.
- ◆ Board's entrepreneurship by contributing contacts and generating business.
- ◆ Board's special contributions to the success of the Corporation as a whole.

11. Any other Business

- ◆ Board's working knowledge of other providers or competitors in their sector
- ◆ Board's role in social accountability or the wider responsibility of the Corporation.

BOARD SELF EVALUATION FORM

Name of the State Corporation.....

Enabling Legal Instrument:.....

Rate performance using a scale of 1 [very poor] to 5 [very good] with comments as appropriate [i.e., 1 – very poor; 2 – poor; 3 – fair; 4 – good and 5 – very good].

Part One: Mandate and Strategy

Tick only one option in the range of very poor (1) to very good (5)	1	2	3	4	5
Mandate					
1. Has the Board interpreted the mandate of the Corporation appropriately?					
2. Is the mandate relevant to the national socio-economic development?					
3. Has the Board articulated or reviewed the desired future state of the corporation?					
4. Has the Board reviewed the mandate of the Corporation to match changes in the environment?					
Comment.....					
Strategy					
5. Has the Board articulated the strategic thrust of the Corporation?					
6. Is the strategic plan integrated with the national development plan and the Kenya Vision 2030?					
7. Has the Board identified the Corporation's Key Performance Indicators for the plan period?					
8. Does the Board have a mechanism for monitoring and evaluating performance against the Key performance Indicators?					
9. Is the level of strategic planning of sufficient quality and content?					
10. Is the strategic plan reflected at an operational level in the business plan?					
11. Has the Board developed a strategy for providing resources					

Tick only one option in the range of very poor (1) to very good (5)	1	2	3	4	5
required for implementation of the strategy?					
Performance contract					
12 Did the Board participate in identification and articulation of performance targets for the Corporation's performance contract for the period?					
13 Did the performance contract aid implementation of implementation of the strategic plan?					
Part Two: Functions of the Board					
14 The Board understands, agrees, defines and disseminates its functions on an annual basis.					
15 The Board knows and understands the Corporation's beliefs, values, philosophy, mission and vision and reflects this understanding on key issues throughout the year.					
16 Such beliefs, values, philosophy, mission and vision are set and are consistent with company's status					
17 The Board devotes significant time and serious thought to the organization's long- term objectives and to the strategic options available to achieve them.					
18 The Board has defined and communicated to management the scope and powers, roles and responsibilities to be adhered to by management to meet routine and exceptional circumstances.					
19 The majority of the Board's time is not spent on issues of day-to-day management.					
20 The Board is involved in formulating long-range strategy from the beginning of the planning cycle.					
21 The Board ensures that the organization has sufficient and appropriate resources to achieve its strategic goals					
22 Proposals from management are analyzed and debated vigorously before being approved by the Board. A proposal that is considered inappropriate is declined.					
23 The Board has an operating plan that specifies its functions,					

Tick only one option in the range of very poor (1) to very good (5)	1	2	3	4	5
activities and objectives.					
24 The Board has reviewed its needs in terms of skills and has these skills.					
25 When appropriate the Board seeks counsel from professionals advisors					
26 The Chief Executive Officer's remuneration and performance is Reviewed and determined by the Board.					
27 The Board determines, annually, the objectives and measurement criteria for the Chief Executive Officer.					
28 A broad range of appropriate performance indicators are used to Monitor the performance of management. Reliability is not placed solely on the financial statements provided by management.					
29 The performance of the Chief Executive Officer is reviewed formally on an annual basis.					
30 The Board has identified the groups to which it is: (a) Accountable (b) Responsible					
31 The Board understands and agrees that its first duty is to the Corporation					
32 Board activities are conducted in an atmosphere of creative tension.					
33 The Board allows diversity of opinion in its meetings.					
34 The Board has procedures in place to ensure that the organization is meeting its legal responsibilities.					
35 Formal review of the Board's performance has become an integral part of the culture of the Board.					
36 The Board ensures that key members of management are brought into the Board meetings so that they can participate and add value to their deliberations and work on behalf of the Board.					
37 Board members evaluate their individual and overall Board					

Tick only one option in the range of very poor (1) to very good (5)	1	2	3	4	5
performance formally on an annual basis					
38 The Board ensures all conflicts of interest are (a) Declared (b) Resolved					
39 Every Board member has been supplied with a letter of appointment.					
40 The letter of appointment defines the roles and functions of the Board and the specific role of each director.					
Part Three: Board Meeting Management and Procedures					
41 Every Board member has been supplied with a Board manual and a copy of standing orders and regulations governing conduct of Board meetings.					
42 Every Board member was supplied with a calendar of meetings showing dates of Board meetings, committee meetings etc and key or critical events of the Corporation.					
43 Board meetings are conducted in a manner that encourages open communication, meaningful participation, and timely resolution of issues.					
44 Sufficient time is provided during Board meetings for thoughtful discussion in addition to management dialogue					
45 Board time is used effectively so that the Board adds value to management.					
46 Formal meeting and reporting procedures have been adopted by the Board.					
47 Board members receive timely and accurate minutes; advance written agendas and meeting notices; and clear and concise background material to prepare in advance of meetings.					
48 All Board members are fully informed of relevant matters and there are never any surprises.					
49 Absenteeism from Board meetings is the exception rather than the rule.					
50 Board meetings are facilitated, but not overtly influenced by the Chairperson.					
51 All Board members are permitted to add items to the meeting agenda.					
52 All proceedings and Resolutions of the Board are recorded accurately, adequately and on a timely basis.					

Tick only one option in the range of very poor (1) to very good (5)	1	2	3	4	5
Part Four: Board's Composition, Induction, Training, Development, and Succession					
53 The selection process considers any deficiencies in the skills of current Board members					
54 The composition of the Board fairly represents the diversity of stakeholders.					
55 New Board members are introduced to their duties with an appropriate induction process.					
56 Board members understand the extent of their relationship with management and the separation of stewardship and management.					
57 Encouragement is given for Board members to continue their study of corporate governance and improve the skills they need.					
58 Directors understand the extent of their personal liability for the affairs of the company.					
59 A succession plan is in place for the Chief Executive Officer, Board members and senior management and is reviewed regularly.					
60 Directors who have not been contributing to the governance of the organization, and are uninterested in improving their performance are asked to resign.					
61 Where the ethical or professional conduct of any director is called into question such director is asked to resign pending investigations.					
62 Board members bind themselves to uphold honour and respect the code of Ethics of the organization on first appointment and to resign where their actions are called into question.					
Part Five: Board Structure					
63 The Board has a balanced mix of Independent Non-Executive Directors.					
64 The roles of Chairperson of the Board and Chief Executive Officer are separated and held by different persons.					
65 The Board has established and appointed committees with defined terms of reference, composition and reporting requirements. These aspects are formally recorded.					

Tick only one option in the range of very poor (1) to very good (5)	1	2	3	4	5
66 The committees have been established and appointed in light of a) The need to increase the effectiveness of the Board by utilizing the specialized skills of Board members. b) Need to provide support and guidance to management b) Need to ensure effective and independent professional consideration of issues e.g. audit reports, finance issues, etc.					
Part Five: Information and Communication					
67 Every Board member was supplied with all establishment instrument, all legal documents, mission statement, vision and strategy documents of the company on first appointment.					
68 Every Board member receives a copy of the Board manual together with a letter of appointment on first appointment.					
69 Every Board member receives copies of all policy documents including organization policy documents, personnel and financial manuals on first appointment and every time these are reviewed.					
70 Board members are encouraged to discuss matters with members of management after gaining the approval of the Chairperson or the Chief Executive.					
71 The Board receives sufficient information from management in an appropriate format as determined by the Board.					
72 The Board's information requirements are communicated to management on a regular basis.					
73 Requested information is received in a timely fashion.					
74 The Board is proactive in developing an effective communication strategy for the company.					
75 The Company Secretary advises Board members regularly on matters of governance and the applicable law.					
Total score (per range)					
Overall rating (Total Score ÷ The number of questions)					

CHAIRPERSON OF THE BOARD

Board member shall evaluate the Chairperson

KEY ISSUES TO BE CONSIDERED

Generally those provided for by the existing Guidelines, namely:

- Provide overall leadership to the Board especially on areas of policy development;
- Maintain a close but independent working relationship with the Chief Executive Officer;
- Harness the collective skills of the Board and its Committees with those of the executive team ;
- Ensure timeliness and relevance of the information and material gains to the Board;
- Encourage directors to participate fully in the deliberations of the Board;
- Head the Board's evaluation process and generally demonstrate qualities of leadership;
- Conduct Board meetings professionally and efficiently;
- Be available to the Directors and the Chief Executive Officer; and
- Guide the Board decision making process and chair meetings of shareholders.

Name of the State Corporation.....

Name of person being evaluated/position

Date of Appointment.....

End of term.....

Evaluation criteria

Use a scale score of 1 [very poor] to 5 [very good] with comments as appropriate. [i.e., 1 – very poor; 2 – poor; 3 – fair; 4 – good and 5 – very good].

Tick only one option in the range of very poor (1) to very good (5)	SCORES				
	1	2	3	4	5
♦ Providing overall leadership to the Board especially on areas of policy development.					
♦ Maintaining a close but independent working relationship with the Chief Executive Officer.					
♦ Harnessing the collective skills of the Board and its Committees with those of the executive team					
♦ Ensuring timeliness and relevance of the information and material gains to the Board					
♦ Encouraging directors to participate fully in the deliberations of the Board					
♦ Heading the Board's evaluation process and generally demonstrate qualities of leadership					
♦ Conducting Board meetings professionally and efficiently					
♦ Available to the Directors and the Chief Executive Officer					
♦ Guide the Board decision making process and chair meetings of shareholders where applicable.					
Total Scores (per range)					
Overall rating (Total Score ÷ The number of questions)					

Commitment

The rating has been discussed by the Board.

Signed.....Date.....

Name.....

Director appointed by the Board for the purpose

INDIVIDUAL DIRECTOR PERFORMANCE EVALUATION

Board members to be evaluated by the Chairperson

KEY ISSUES TO BE CONSIDERED

- ♦ Strategic Thinking
- ♦ Corporate Governance
- ♦ Competence
- ♦ Independence
- ♦ Preparedness as a Director
- ♦ Personal Attributes
- ♦ Awareness of operational Environment including stakeholders Interests

Name of the State Corporation.....

Name of the Director.....

Date of Appointment.....

End of term.....

Evaluation criteria

Use a scale score of 1 [very poor] to 5 [very good] as appropriate. [i.e., 1 – Very poor; 2 – Poor; 3 – fair; 4 – Good and 5 – Very good]

Tick only one option in the range of very poor (1) to very good (5)	SCORES				
	1	2	3	4	5
Strategic Thinking					
♦ Contribution to the strategic planning process					
♦ Ability to contribute at a strategic level in Board debate					
Corporate Governance					
♦ Understanding of the role of the Board (governance versus management)					
♦ Acceptance of collective responsibility and Board room confidentiality					
♦ Level of understanding with regard to the legal and ethical responsibilities of the Board					
Competence					
♦ Contribution to the Board: strengths, abilities, experience and judgment					
♦ Availability and willingness to attend meetings and actively participate in the work of the collective agency					
♦ Understanding the financial structure of the Corporation					
♦ Understanding of the business of the Corporation as a whole					
♦ Level of understanding of the relevant sector					
♦ Communication with fellow Board members, CEO and stakeholders					
♦ Level of understanding of the market, the customer and quality focus					

Independence					
♦ Confidence and courage of thinking, speaking and acting					
♦ Ability to constructively debate in a reasoned manner					
♦ Willingness to take an independent viewpoint					
Preparedness as a Director					
♦ Preparation for meetings					
♦ Contribution to committee work					
♦ Willingness to give extra time with Chairman/CEO on relevant matters between meetings					
♦ Knowledge of Corporation's key officers, managers and facilities					
Personal Attributes					
♦ Attributes and skills brought to the Board					
♦ Understanding of socio-economic issues facing the country and the business					
♦ Level of ethical and moral judgment					
♦ Preparedness to keep abreast with latest developments in the sector and in their corporate responsibilities.					
Awareness of shareholders and Stakeholders					
♦ Awareness of appointing authority and stakeholders expectations					
♦ Understanding of sectoral reform					
♦ Level of understanding of the Boards obligations to staff, the Government with respect to Board policy					
♦ Understanding of the relationships between other key players in the sector					
Total Scores (per range)					
Overall rating (Total Score ÷ The number of questions)					

Commitment

The rating has been discussed between the Director and Board Chairperson

Signed

Name..... Date.....

Director.....Date.....

CHIEF EXECUTIVE OFFICER'S PERFORMANCE EVALUATION

Name of the State Corporation.....

Name of the Chief Executive Officer.....

Date of Appointment.....

End of term.....

Name of the Chairperson.....

Evaluation criteria

Use a rating scale of 1 [very poor] to 5 [very good] as appropriate [i.e. 1 – very poor; 2 – poor; 3 – fair; 4 – good and 5 – very good] to evaluate performance

Tick only one option in the range of very poor (1) to very good (5)	SCORES				
	1	2	3	4	5
Strategy					
♦ Recommending to the Board long term strategy and annual business plans and budgets					
♦ Effective and efficient implementation of the strategic plan					
♦ Continuous achievement of financial and non-financial Key Performance Indicators					
♦ Leading change and change management					
Board Issues					
♦ Ensuring accurate and relevant information to the Board in a timely manner					
♦ Generating alternatives to inform Board decision making					
♦ Effective implementation of corporate policies and programmes					

♦ Ensuring compliance with the laws of the country					
♦ Increasing customer and shareholder/public value					
♦ Effective management of corporate risk					
♦ Ensuring appropriate organizational and management structure					
Leadership					
♦ Effective communication of vision, goals and values					
♦ Fostering a culture that promotes ethical practices and good corporate citizenship					
♦ Ensuring a conducive work environment for attracting, retaining and motivating employees					
♦ Continuous improvement in quality and value of service					
♦ Effective communication with shareholders and stakeholders					
♦ Effective communication with the Board and employees					
♦ Confidence and courage of thinking, speaking and acting					
HR Issues					
♦ Ensuring alignment of HR to corporate strategy					
♦ Ensuring succession planning, employee growth and development					
♦ Safeguarding human capital necessary for optimal corporate performance					
Total Scores (per range)					
Overall rating (Total Score ÷ The number of questions)					

Comments.....
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Recommendation.....
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Commitment

The rating, comments and recommendations have been discussed between the Chief Executive Officer and Board Chairperson

Signed

Chairperson.....Date.....

Chief Executive Officer.....Date.....

