

**REPORT OF THE THREE -DAY CORPORATE
GOVERNANCE INDUCTION COURSE AND THE
REVIEW OF THE CONSTITUTIONS AND CODES
OF CONDUCT FOR THE NATIONAL
ASSOCIATIONS**

***ORGANIZED FOR THE BOARD OF DIRECTORS
AND SENIOR MANAGEMENT OF THE
FEDERATION OF EAST AFRICAN FREIGHT
FORWARDERS ASSOCIATION (FEAFFA)
INSTITUTIONS HELD AT THE SAFARI PARK
HOTEL, NAIROBI, KENYA***

JULY 31-AUGUST 4, 2006

AND

**CONDUCTED BY: THE CENTRE FOR CORPORATE
GOVERNANCE**

PREAMBLE

The Centre for Corporate Governance conducted a 3-Day Corporate Governance Induction Course for the Board of Directors of the Federation of East African Freight Forwarders (FEAFFA) Institutions from July 31 – August 2, 2006, at the Safari Park Hotel, Nairobi, Kenya. There was also a 2-day session on August 3-4, 2006 to consider the Constitutions and Codes of Conduct of FEAFFA and the national associations which constitute FEAFFA.

The main purpose of the course was to provide the directors with appropriate corporate leadership skills that would enable them to perform their responsibilities more effectively within their board. While, on the other hand, the purpose of the review of National Constitutions and Codes of Conduct was to harmonize them for effective management of the respective Associations as well as to promote trade in the region.

In total, 37 participants attended this training course. **(A detailed list of participants is provided in this report).**

DAY ONE, MONDAY, JULY 31, 2006

The induction course began on Monday, July 31, 2006, at 0800 hours, with the registration, introduction and briefing of participants. Participants were welcomed to Safari Park Hotel by Mr. Theo N. Lyimo, ARD Chief of Party. Each participant was given a document wallet containing a 379 slides course manual written in English but translated into French among other published materials from CCG. A complete training programme is provided in the appendix.

The training course was officially opened by Mr. Paul McDermott, the Director, Regional Conflict Management and Governance who represented Cheryl Anderson, the Regional Director, USAID-East Africa (formally REDSO). Mr. McDermott welcomed the participants to the course and observed the following:

- i. The achievement of the programme in facilitating: the formal registration of FEAFFA; the launch of a training centre in Mombasa; and the successful election of the new directors for the various National Associations.
- ii. That there is need to consolidate the gains made so far; and
- iii. That the training course should be an eye-opener on the way the directors should manage and run their Associations and FEAFFA.

Mr. Theo Lyimo then reminded the directors of the need to use the acquired knowledge from the course to review their respective national constitutions and codes of conduct to make them more effective in steering their associations to greater achievements.

The participants were then briefed about the course by Mr. Karugor Gatamah, Chief Executive Officer, Centre for Corporate Governance.

It was explained to the participants that the main objectives of the training course were:

- To broaden participants' knowledge and understanding of corporate governance;
- To expose participants to the challenges of good corporate leadership;
- To build their leadership and teamwork skills, and enhance their understanding of their roles and responsibilities as direction-setters;
- To provide an insight into the effective integration of their performance, conformance and concordance roles;
- To be part of a core team of trained directors with the determination, creativity and innovativeness to lead the wealth-creating and wealth-producing organs of the society;

The first lecture of the training course began at 0930 hours. This session, which covered "Principles and Practice of Corporate Governance", included: Introduction to Corporate Governance and principles of Corporate Governance". The session covered broad background information on corporate governance including a conceptual framework, interests and aims of corporate governance, forces driving the global interest in corporate governance, current developments and newer perspectives in corporate governance, and the principles of Corporate Governance. There was an interactive Plenary Session which touched on the following issues:

a) Membership

- i. The participants observed that issues of membership of the organization were not adequately addressed during the presentation. It was noted that since leadership is derived from the members, strict adherence to good ethics enhances the quality of members.
- ii. The organization should also design a framework that accepts or rejects applications for membership. This eligibility criterion should be visible in both the articles and memoranda of association. It was agreed that this matters should be deferred until the day when discussions on FEAFFA constitution, national constitutions and codes of conduct would be held.
- iii.

b) Transparency and Accountability

- i. Participants were informed that accountability implies transparency and vice versa and these two principles are fundamental in corporate governance. The board must be transparent and accountable to the organization at all times. They must avoid situations that can bring them into conflict with the interests of the organization.
- ii. One participant observed that in the early seventies a truck could make two trips to Uganda from the port of Mombasa in a week while in 2006 it can only make two trips in a month even with improved technology. He wondered aloud whether it is man to blame.

There was a General consensus among the participants that as leaders of their respective organisations, they needed to ensure that they put in place structures and systems which promote good corporate governance in their associations if the above scenarios are not to be eradicated.

c) Dependency Syndrome

A participant observed that lack of checks and balances among our leaders had lead to a scenario reflected as follows:

- i. Members' dependence on them even when they have no vision to lead. For instance, our leaders can develop strategic plans that take 20 years to achieve while a country like South Korea does the same in 5 years. The reason for this was that their factories never close and workers there operate in shifts throughout.
- ii. The lack of balance between individual and association values and interests as prescribed by good corporate governance.

The facilitator responded by alluding to the context of African socialism which is needed in the management of our organizations, to the effect that, "I am because you are". The adoption of a materialistic culture in our society has made us lose our traditional values which in turn has perverted our corporate governance and the way we manage our institutions. It is important for leaders to know that in the development of the totality, we also develop.

The session was handled by **Mr. Karugor Gatamah** and ended at 1100 hours followed by a tea break which ended at 1130 hours.

At 1130 hours, participants were taken through a session on "the Role and Functions of the Board", which focused on the respective roles and functions of the collective board, the roles and functions of Chairman, the Chief Executive Officer and the executive, non-

executive and independent directors. This session was covered by **Dr. Joshua Okumbe**.

Dr. Joshua Okumbe began by leading the participants through an overview of the training program for the three-day workshop to enable them know what to expect and the order the topics would follow. The role and functions of the board were presented in the context of FEAFFA as a regional Association composed of the National Associations in the region such as KIFWA, TAFFA, UFFA, ADR Rwanda, ABADT of Burundi, and UCIFA. FEAFFA has systems and structures of governance such as the Executive Committee which is composed of 10 members i.e. the President, 2 vice Presidents, the secretary general, treasurer and one member from each of the National Associations. The topic therefore seeks to highlight the duties and responsibilities that ought to be performed by this body in relation to the concept of good corporate governance practices. After going through the performance, conformance, and concordance functions of the board, the facilitator then led the participants through the important areas that they must note as members of the executive committees of their organizations. This topic lasted until 1315 hours when the participants proceeded for the lunch break.

The afternoon programme began at 1410 hours with the session on the, “Legal Framework”. The topics covered included the Legal Framework of the FEAFFA and the Duties and Liabilities of Directors. The facilitator began by explaining that a constitution is a covenant of the highest order. It is a framework that is agreed upon by members of an association and the association is bound by it. The purpose of this topic was to enable participants analyze and synthesize, in the light of good corporate governance best practices;

- the FEAFFA constitution;
- The KIFWA constitution;
- The Societies Act of Kenya; and
- The legal duties and liabilities of directors

There was an interactive plenary session at the end of this topic at which the following issues were raised:

i. Termination of membership

The participants observed that a legal framework needed to be developed to professionalize the industry. Recognizing the need for professionalizing the industry was the first step and lobbying governments to legislate appropriate laws should follow. It was noted that as long as there was commitment by the executive committees of the various national associations, this would be achievable.

It was further noted that other professions have boards that regulate the activities of their members and there is no reason why the freight forwarders should not have theirs as every profession required to have restrictions that act as guidelines so that one feels he/she belongs to the profession.

ii. Professionalisation

It emerged that there was need to identify institutions that can offer freight forwarding courses to enable practitioners acquire the necessary skills so that they are better equipped to run the organization effectively. It was suggested that ways and means should be explored to establish how to get directors and other relevant industry players to acquire specialized skills and knowledge and develop a framework for deepening relationships that guide the profession.

It was further noted that the only way in which the associations could overcome the difficulties they face, especially conflict of interest, is to professionalize by establishing systems and structures that enhance integrity in the industry. And, indeed, the priority should be to set up permanent and well-functioning secretariats. At this juncture, Mr. Theo Lyimo informed the plenary that one of the objectives of this Project is to professionalize the freight forwarding industry and in this regard FEAFFA already has an executive committee but does not have permanent secretariat. The wider challenge facing the project is to get the necessary support for the national associations to achieve this required same level of professionalism. This session was handled by **Mr. Karugor Gatamah** and ended at 1600 hours in time for a tea break.

After the tea break at 1630 hours, participants were divided into five syndicate groups and asked to review the case study on, "The Water Company". Although the case study highlights issues of corruption at the highest level within this organisation, the central theme was for the participants to glean the corporate governance issues presented in the case and how they ought to have been fixed. Rapporteurs from each group made their presentations at the plenary held from 1730 hours to 1800 hours. This session was led by **Mr. Ernest Najoli**. Some of the corporate governance issues unearthed from the case study by the participants and which needed to be addressed were:

1. The poor constitution of the board. It has a poor composition structure. It looks like it was set up based on familiarity.
2. The company lacked a proper procurement policy. Tendering procedures were also poor.
3. Conflict of interest
4. Setting up committees with no clear terms of reference and accountability. It was noted that there was over-delegation of powers with no proper reporting systems and structures. It was evident that the board was not in control of the company's affairs.

5. The company lacked a clear investment policy.
6. Lack of professional advice.
7. Misuse of company funds on foreign trips.
8. Improper deployment of human resources. For example, the company secretary was performing the accountant's role. There should be a clear separation and demarcation of duties at the senior management level.
9. It was also noted by the participants that there were abuse of the office symptoms by the directors. For example there incidents of in-sider lending of the company finances to the directors.

This session was followed by a review of the Key Lessons for the Day at 1800 hours. Participants were provided with another Case Study which they carried home overnight as an assignment to read and report on, the following morning.

DAY TWO, TUESDAY AUGUST 1, 2006

The first session of the day began at 0830 hours with the participants reporting on the take-home Case Study. This brief session was conducted by **Mr. Ernest Najoli** and lasted until 0900 hours.

As a way of guiding the flow of discussion, the following questions were framed to enable participants digest the emerging issues:

- i. Describe the capability of Dada as the Managing Director of Speed Demon Company.
- ii. Describe the leadership style of Mr. Honcho.
- iii. What are the dangers of Mr. Honcho housing HECFA in Speed Demon's Clearing and Forwarding offices?
- iv. How transparent is Mr. Honcho in conducting the affairs of HECFA?
- v. What is the level of participation and contribution of the other directors in the affairs of HECFA?
- vi. What role does the play in hiring staff? And in particular the case of Mrembo?
- vii. How should the company assets be managed? Who is responsible? What is the role of Speed Demon Clearing and Forwarding Ltd. In the management of HECFA assets?
- viii. Do you think the board has been duly compromised by Mr. Honcho?

Discussions centred around the above questions as follows:

Malaika: Participants pointed out that she is a person who misuses information that comes her way for her own selfish means. She does not follow the procurement procedures and uses her power for her own selfish interest. She is dishonest as she

runs her own company despite being a customs officer and as such can be said to lack integrity. On the other hand **Dada** lacks adequate skills and knowledge to run Speed Demon as its managing director.

Mr. Honcho, who happens to be Malaika's husband, is a very influential and corrupt person. He misuses the board for his own selfish interests. He rules by terror and exhibits dictatorial tendencies that have made the other directors not to question his authority and thus politicizes the association. The fact that HECFA is housed in the offices of Speed Demon shows that it is to his benefit. All the other directors are used by Honcho to rubber stamp his decisions. They exhibit poor leadership.

The overall summary on Case Study is that:

- i. There is rampant mismanagement of HECFA by the directors elected to run it.
- ii. There is lack of transparency and poor communication structures.
- iii. The remedy is to have guidelines on term limits even though this may be very difficult.
- iv. The directors should be taken for induction training courses to learn good corporate governance practices.
- v. The board should set up a strong secretariat to manage the day to day activities of the organization while they give policy guidelines on the direction the organization should take.
- vi. The organization's statutes should be modified.

The next session which was facilitated by Dr. Joshua Okumbe began at 0900 hours and covered the topics "Constituting the Board" and "Making the Board More Effective." It ran until 1100 hours. The main highlights of this section included: board composition; qualities and competencies of directors; selection, induction and development of directors. In making the board effective, the following was emphasized: group-think and its symptoms; board work-plan, board charter, board manual conventions, conflicts of interest, committees of the board, and how to craft a board.

After the defining of **group-think**, much interactive discussion centred on its symptoms. It is of greatest importance to minimize these symptoms in the board because it raises the quality of board meetings in terms of decisions passed which affect the performance of the institutions

Symptoms of group think:

1. Hiding under the board and creating an **illusion of invulnerability**. They tend to be cushioned by other members
2. Belief in **group morality**: this enhances group think.
3. **Rationalization**: to be objective, he/she reasons and convinces themselves that they are what they are not.

4. **Stereotyping Output:** This arises when certain board members are marked during board meetings. They lean on their strengths. The members of the board should try as much as possible to avoid stereotyping. All the 10-11 directors should be close and still remain objective.

Self Censorship: The members of the board must not over censor themselves in the management of the Associations. Reasons for self-censorship abound. But some of them are listed as:

- Lack of confidence- there is need to build the confidence of all directors.
- Sometimes people just want to fit into the group.
- Lack of information.
- Conflict of interest.
- Ridicule – there is fear of being ridiculed. The chairmen of boards must protect the other directors.
- Direct pressure – disagreeing with what other directors say.

Mind Guards/ Blinkers: This means behaving as a group and fearing to rock the boat. It means seeing the things that have been done well only. The board must ensure parameters for injecting new blood to improve the competences and effectiveness of the board.

Illusion of Unanimity: This may be an illusion and there is need for the board to give opportunities to give others to express themselves more fully and transparently.

Experience of group-think within FEAFFA National Associations

It was observed by the participants that sometimes Chairmen of these boards are the ones who create these scenarios when they give opportunities to only a few members in the board to air their views and not the rest. The chair should ensure he or she protects all in the boardroom. The board room is not a courtroom where people differ in everything. The chair should at most times facilitate and let the directors make the decisions.

Recommended techniques for improving group performance and avoiding group-think

The chairman of the executive committee should be able:

- i. To raise the agenda of the meeting in a good and neutral way.
- ii. To avoid situations where they appear to be giving a directive.
- iii. TO separate the people from the problem especially when people have become enemies in the course of doing business.

The way forward for FEAFFA National Associations in reducing group-think symptoms in their boards: The boards should discuss issues amicably and reach a common ground to avoid the meetings being derailed. The other members of the board should be brought in to reconcile the chair with the rest. When no agreement is reached on an issue of principle then one has the option of resigning.

The chair should try and call and talk to those who persistently criticize and are negative to the views of others. If a member becomes belligerent then he/she can be taken to the disciplinary committee of the board.

This session ended at 1100 hours and was followed by tea break which lasted until 1130 hours and immediately after that was followed by a highly stimulating role play titled, "Haraka Corporation Role Play". Participants were divided into five groups, with each participant playing a predetermined role in a simulated Board meeting. The review of the role plays showed that the directors had learnt a lot from this exercise which aimed at highlighting the major issues that arise in boardroom dynamics. This "board meeting" was called to discuss whether to approve a new organizational structure and a budget for implementing the new structure, the basis of which was whether to hire an already identified consultant to effect the new structure. After one hour of deliberations the participants gathered for a plenary session to report whether they approved to hire the consultant. Three groups declined to hire while two groups hired.

Participants noted the following as being the key lessons they had learnt from the role play:

- i. It showed how rumours can complicate issues in the board meeting.
- ii. Issues should be discussed objectively and exhaustively during board meetings.
- iii. In order to avoid rumours, directors ought to be focused and discuss issues openly so as to reach common solutions.
- iv. Transparency among the directors should be promoted.
- v. To promote transparency in procurement, competitive bidding should be practiced.
- vi. Systems and structures should be put in place.
- vii. Investigate all rumours in order to get all facts correct before they reach the board meeting.
- viii. Sufficient and timely Information to all board members is essential if they are expected to make decisions from an informed point of view.
- ix. Chairmen should ensure all directors are given an opportunity to air their opinions.
- x. There is need to formalize all systems and structures in the organization.

The session was facilitated by **Dr. Joshua Okumbe** and **Mr. Najoli** and lasted until 1300 hours just in time for lunch.

The Afternoon session Began at 1400 hours and covered "Corporate Strategy". Topics covered in this session included the Role of Strategy, Strategic Framework and Analysis, and Strategic Change. The session which was delivered by **Mr. Ernest Najoli**, was a highly interactive session with many participants drawing references from the efforts already made in their own Associations.

Participants were aware of the changes taking place in their organizations' environment which includes:

- i. Electronic dissemination of information,
- ii. Imposition of charges at the point of entry,
- iii. Inter-modal transportation,
- iv. Different types of transport,
- v. Regional integration and harmonization of tariffs.

Organizations must therefore adopt new methods of doing business in this ever changing environment. Strategic Thinking is therefore, the process of meeting these ever changing needs in the environment. It is a brainstorming process and therefore requires rationalization.

Participants also agreed on the need for strategic thinking because there are situations where senior managers have fed the board with wrong information which ended up destroying those very organizations. To overcome such problems it is now increasingly becoming necessary to constitute boards with the necessary skills and expertise required to steer the board in the direction of strategic thinking.

By the end of the session, participants agreed on the need for strategic thinking and planning but expressed the lack of adequate capacity to embark on this vital process in their respective Associations. Further, this process can not effectively take place if the National Associations do not have active and functioning secretariats in place.

The session ended at 1600 hours. Tea break was held between 1600 and 1630 hours.

DAY THREE, WEDNESDAY AUGUST 2, 2006

The programme began at 0830 hours with the session on "The Board and Human Resources" which was presented through interactive exchanges. It covered areas such as Attraction, Development and Motivating Human Resources and broad issues on providing effective leadership. The session was lead by Dr. Joshua Okumbe lasted until 1030 hours and was followed by tea break. The topic on "Appreciating Financial Reports" delivered by Mr. Karugor Gatamah was covered from 1100 to 1300 hours. The issues covered therein included Interpreting Financial Statements, Budgeting, and Key Performance Indicators. It was followed by a lunch break. The Afternoon programme

began at 1400 hours with the session "Corporate Governance Reporting and Disclosure". This session was facilitated by Mr. Ernest Najoli. It emphasised on issues such as sample corporate governance statements, board committees, member relationships, and compliance with the law. This session lasted until 1500 hours when the last session of the day - "Discussion Forum: Making the FEAFFA Institutions' Boards More Effective", was held.

From the discussion forums the participants resolved that:

1. There was urgent need to review the FEAFFA and the respective Associations' constitutions;
2. There was need to urgently set up a permanent secretariat for FEAFFA, in Arusha;
3. A Chief Executive Officer (CEO) for FEAFFA should be appointed as soon as possible. Respective FEAFFA Associations should also make arrangement of hiring CEO who would in turn set up well running secretariats;
4. The FEAFFA and the respective Associations' codes of conduct should be urgently reviewed and harmonized;
5. A consultant should be hired to help review FEAFFA Associations' strategies;

GENERAL OBSERVATIONS

1. The resource persons observed that most of the participants were not knowledgeable on principles of corporate governance. This was discernable from the fact that:

- a) There was no appreciation of the different roles played by the management/executive committees and the secretariat which should be run by an executive director who reports to the management/executive committees.
- b) The roles and functions of the secretary general of the Association conflict with those of the executive directors in the secretariat. It was recommended that this conflict should be discussed during the 2-day deliberations on the constitutions and the codes of conduct.
- c) Very few participants understood the duties and liabilities of directors and especially in with regard to the duty of care and skill, and the duty of loyalty.
- d) Apart from TAFFA which had attempted to venture into strategic thinking and planning for the association, almost all the other associations were for the first time appreciating their role as directors in setting strategic direction for their associations.

2. The resource persons noted that:

- a) There was need for the Associations to create a concept of financial viability within them. In particular, the executive committees need to run the Associations

as business units as well as to define the kind of services they were selling to their members.

- b) There was need for effective accountability if they expected to win the trust of their members and other stakeholders.
- c) There executive committee members have not considered the risks inherent in these Associations when they were setting them up. However, by the end of the course they all have appreciated the need to consider the business, contract and financial risks faced by their Associations.

3. Some of the questions generated at the plenary sessions by participants for discussions

- a) What is the legal status of branch committees and annual general meetings? The question arose due to the fact that the KIFWA constitution allows for branches and provides for each branch holding its own AGM. Should branches have their own AGMs? It was observed that all the finances are managed by the central office (head office) as this enables the maintenance of one set of accounts. These accounts are, however, first approved by the branches. It was noted that the branches serve a useful purpose in the Kenyan case. There is a provision for trustees but there is no proper reporting structure by them. The branches do not have trustees. The KIFWA constitution is the one which is subscribed to by all the branches in Kenya.
 - b) It was observed that some committee members of the committees were involved in the day-to-day working of the Associations. It was noted that the reason for this was because most of the Associations did not have an adequate resource base to finance most the secretariat activities.
4. CCG believes that at the end of the course, participants had gained a better grasp of the fundamental principles of corporate governance than before the course. This could be deduced from some of the evaluation comments given by the participants after the course. For example:
- a) "The presenters have made quite an impact on us in terms of their knowledge and skills";
 - b) "This training came at the right time and participants well chosen. However, there was need for a topic on conflict resolution in the associations";
 - c) "Bravo for the good presentations and practical examples";
 - d) "The course content was very impressive. Most of the bottlenecks that we face daily were covered and it is our hope that they will be taken into practice";
 - e) "It has been wonderful for me to be trained in such a particular course. I have learnt so much that will help me in particular and my Association as a whole";
 - f) "After completion of my training I assure my presenters that I am going to lead people in good corporate governance";

g) "In my view we could have had a course on conflict resolution".

DAY FOUR – THURSDAY, AUGUST 3, 2006

FEAFFA AND THE NATIONAL CONSTITUTIONS:

On Thursday, August 3, 2006, the workshop reviewed the constitutions for FEAFFA and the National Associations. The framework which was agreed upon is indicated in **Appendix 3** of this report.

A major deficiency observed in the FEAFFA and National Associations' constitutions included is the lack of a common framework for writing all the constitutions. The following are the general observations from the FEAFFA Constitution illustrating the general framework which all the national constitution can adopt:

Recommendations: The following recommendations were made and agreed upon:

Preamble: It was suggested that the each constitution should briefly introduce the aims of the constitution. The preamble should always come before the articles. Why? Because, it is an introduction showing the values and objectives of the constitution. It is the spirit that directs the reasons as to why the Association was established. This should then be followed by a section on the **Interpretation of terms**. This ensures that all the terms used in the constitution are clearly defined and understood, to leave no ambivalence about what the constitution stipulates.

Vision: There is need to have a vision which states the aims of the organization and what it intends to achieve in the long run before the objectives are stated. The **mission statement explains** the manner in which the vision is to be achieved. It briefly captures the *modus operandi* to be used in eventually attaining the vision. **Objectives** on the other hand, are like benchmarks and should be measurable after a certain time.

It was observed that the objectives in the constitution were not very clear and needed to be refined.

The following is the broad framework of articles which participants agreed upon to form the general framework of both the FEAFFA Constitution and the constitutions of the national associations:

- **Article 1:** The preamble to the constitution
- **Article 2:** The vision, mission statement and objectives of the organisation.

- **Article 3:** The role of the organization.
- **Article 4:** Membership – to include categories of membership and the fees to be paid;
- **Article 5:** Termination of membership – to include specific financial obligations in the event of termination of membership.
- **Article 6:** Responsibilities and rights of members.
- **Article 7:** As far as the organs of the organization are concerned, the composition should be clearly stated. The secretariat should also be included as one of the organs.
- **Article 8:** Duties and responsibilities of the organs should be clearly stated to include the General Assembly, the Executive Committee, Auditor, the Secretariat and sub-committees.
- **Article 9:** Management of the organization (governance organs of the federation).
- **Article 10:** Code of conduct
- **Article 11:** Responsibilities of elected members of the Executive Committee;
- **Article 14:** Applicable law – it was agreed that the applicable should remain the laws of Tanzania but that members should clearly understand the implications of being governed by Tanzanian laws.
- **Article 18:** Trustees – it was explained that the role of trustees was to hold and manage trust property or funds in trust for the organisation, and that the trustees therefore have a fiduciary duty to the association. There was a debate whether the position of trustees should be included in the organs of the association? It was noted that in Rwanda and Burundi, the concept of trustees was not very common. It was, however, agreed that trustees had a role to play within the FEAFFA framework. It was emphasised that the reporting relationship between the trustees and the other organs of the organisation needed to be clearly defined.
- **Article 23:** Dissolution process. It was noted that there was need to include the role of trustees in the dissolution process of the organisation.

The issue as to whether the national associations needed to retain the Management Committees was highly debated. It was noted that the management committees are not relevant in view of the fact that there was a consensus that the secretariats would be set up within the Associations.

From the consultant's point of view, the workshop greatly assisted the participants in coming up with:

- A generally agreed-upon framework of writing constitutions;
- A bonding relationship among them which enabled them to look at the various issues in the constitutions together; and
- A collective agreement to go back and make meaningful and effective changes that will enhance the performance of their Associations in an ever-changing environment based on the corporate governance training.

As a way forward, the participants unanimously accepted the proposed framework and the suggested changes. The consultant was therefore requested to make arrangements to send the proposed framework to the various National Associations once it was completed. It was further proposed that all the constitutions, including that of FEAFFA, be drafted based on the new framework.

NATIONAL CONSTITUTIONS

a) KIFWA CONSTITUTION (KENYA)

The following points were noted from the Kenyan Constitution:

- The membership is very wide hence and hence the need for branches which have little autonomy;
- The amended constitution has not been ratified but that it was an improvement on the earlier constitution.
- There was debate on whether branches should have their own AGMS. It was noted that this might lead to duplicity and would not be desirable.
- All the finances are managed by the central office (head office) as this enables them to maintain one set of accounts. However, the accounts are approved by the branches first.
- There is a provision for trustees but there is no proper reporting structure by the trustees to the various organs of KIFWA.
- The branches do not have trustees.
- All the branches under KIFWA subscribe to the KIFWA constitution.

b) UFFA CONSTITUTION (UGANDA)

It was noted that the structure is the same as that for FEAFFA. Some observations from the constitution were that:

- It does not have a mission statement.
- The constitution alludes to the supremacy of the constitution i.e. it is the supreme law. This would be recommended for inclusion in the other national constitutions.
- There is a provision for various categories of membership, including limited liability companies and honorary members among others. This was recommended to other National Associations without such a provision.

c) UCIFA CONSTITUTION (UGANDA)

Participants were informed that UCIFA members were present in the workshop and it was agreed that they could participate since the exercise was informal. Uganda was however asked to ensure that the two organizations unite for the good of the industry. The UCIFA constitution was not dwelt on much.

d) ADR CONSTITUTION (RWANDA)

The following issues were noted from the constitution of the Rwandan Association:

- It does not have provisions for trustees.
- It has no vision and mission statements. However, the rest of the clauses were mainly similar to the other national constitutions.

e) ABADT CONSTITUTION (BURUNDI)

The constitution of the Burundi association had the following features:

- It is predominantly similar to the Rwandese constitution.
- It has no preamble, mission and vision.
- The structure is the same as that of not-for profit organizations as provided for in Burundi.
- They define membership, definition of the organs, the General Assembly, the Executive Committee (which is the managing committee), permanent secretariat, audit committee which verifies accounts.
- Trustees do not exist.

f) TAFFA CONSTITUTION (TANZANIA)

The following points were noted from the TAFFA Constitution:

- They have a tri-annual general meeting. After deliberations on the usefulness of this provision, it was decided that it was useful and should be retained as it was during this meeting that the election of office bearers are held.
- The organization structure comprises the Annual General Meeting, the Executive councillors (i.e. Executive Council plus councillors), and sub-committees.
- There are branches all over the country, each of which participates at the association's AGM.
- The role of the secretariat is not defined in the constitution. There are conflicting roles for the Secretary General and the executive officer. It was agreed that TAFFA members should clearly define the two roles.

DAY FIVE, FRIDAY AUGUST 4, 2006

CODES OF CONDUCT

On Friday, August 4, 2006, the workshop reviewed the FEAFFA Code of Conduct. The framework which was agreed upon is indicated in **Appendix 3** of this report.

It was observed by the consultant that the following was lacking in the Code of Conduct:

- There was no provision for the training of members. To this end, it would be necessary for FEAFFA to arrange for training sessions for members.
- The de-linking of freight forwarders from the Revenue Authority should be encouraged so as to enhance the independence of the two institutions. This ought to be included as one of the objectives.
- Like the constitutions, the code of conduct should have a section of the Definition of terms, to aid in proper interpretation of the Code.
- The objectives in a constitution and that in a code of conduct should be different.
- The professional qualifications required for membership of the association need to be harmonised to ensure people with qualifications from different jurisdictions are not unduly denied membership.
- The financial standing is not stated properly and is limited to starters. There should be a clause that looks on how to promote financial soundness of agents. But still, there needs to be a benchmark on how to regulate who enters the market and not have just anybody in the business of freight forwarding. This should in the long run have balance.
- The Code of Conduct should adequately address issues Conflicts of interest, transparency and accountability.
- An enforcement clause would be critical in any code of conduct. FEAFFA should include the bodies that deal with the enforcement. In addition, members noted the need for the provision for appeal in the process of arbitration.
- On expulsion from the association, it was noted that there was need for the provision for reinstatement of expelled members after a given period and that expulsion should not be permanent.
- There was debate on whether a clause on how the process of disciplinary action is to be undertaken should be included in the code of conduct or whether this process should be spelt out in regulations separate from the code itself. It was agreed that this process should be highlighted in regulations which would form part of the code.

Some of the suggestions provided by the resource person were also included in the framework provided in appendix 3 at the bottom of this report. The participants together with the resource person agreed that there should be only one FEAFFA Code of Conduct and no national codes of conduct.

Regarding the way forward, it was agreed that the resource person should give a guiding framework for writing the code of conduct.

EVALUATION OF THE TRAINING COURSE

The table below presents the mean scores of the participants' responses to the evaluation instrument on the topics and the presentations during the training course.

Question	Average	Rating
Were the topics clearly presented?	4.3714	Very Good
Were the topics covered extensively?	3.5142	Good
Do you think the presentations were well organized?	4.2857	Very Good
Were the presentations informative?	4.2	Very Good
What is your rating of the knowledge gained during the training?	4.2285	Very Good

Key:

5 – Excellent; 4 - Very Good; 3 – Good; 2 – Fair; 1 – Poor

From the information in the table it is evident that the participants rated *the clarity and coverage of the topics, methods of presentations, and the knowledge gained* as having been **very good** (mean score of 4.46). This shows that the training course was highly rated by the participants as having been very effective.

After conducting the evaluation exercise, it was time for the closing ceremony where the participants were presented with certificates in company directorship from 1400 hours to 1430 hours.

APPENDIX 1

3-DAY CORPORATE GOVERNANCE INDUCTION COURSE FOR THE EXECUTIVE COMMITTEES AND MANAGEMENT OF THE FEDERATION OF EAST AFRICAN FREIGHT FORWARDERS ASSOCIATIONS (FEAFFA) INSTITUTIONS

P R O G R A M M E

DAY ONE: MONDAY, JULY 31, 2006

0830 – 0900 Hrs	Opening Session <ul style="list-style-type: none">▪ Welcome Remarks by Mr. Theo Lyimo, Chief of Party, USAI Contractor.▪ Opening address by Mr. Paul McDermott, Director, Regional Conflict Management and Governance (RCMG), USAID East Africa
0900 – 1100 Hrs	Principles and Practice of Corporate Governance <ul style="list-style-type: none">▪ Introduction to Corporate Governance▪ Principles of Corporate Governance
1100 – 1130 Hrs	TEA/COFFEE BREAK
1130 – 1300 Hrs	Role and Functions of the Executive Committee <ul style="list-style-type: none">▪ The Executive Committee as a collective agency▪ Role of the Chairman▪ Role of the Chief Executive Officer
1300 – 1400 Hrs	LUNCH BREAK
1400 – 1600 Hrs	Legal Framework <ul style="list-style-type: none">▪ The Legal Framework of the Federation of East African Freight Forwarders Association (FEAFFA) Institutions▪ Duties and Liabilities of Executive Committee Members
1600 – 1630 Hrs	TEA/COFFEE BREAK
1630 – 1730 Hrs	Case Study: The Water Company
1730 – 1800 Hrs	Reporting on the Water Company Case Study

DAY TWO: TUESDAY, AUGUST 1, 2006

0830 – 1100 Hrs	Constituting the Executive Committee <ul style="list-style-type: none">▪ Composition, qualities and competencies of the Executive Committee Making the Executive Committee Effective <ul style="list-style-type: none">▪ Managing Committee Dynamics and Group Think▪ Managing Committee Processes<ul style="list-style-type: none">○ Workplan○ Committee Manual/Committee Charter○ Conventions○ Sub-Committees○ Crafting the Committee○ Committee Evaluation
1100 – 1130 Hrs	TEA/COFFEE BREAK
1130 – 1230 Hrs	Role Play: Committee Meeting
1230 – 1300 Hrs	Report on Role Play
1300 – 1400 Hrs	LUNCH BREAK
1400 – 1600 Hrs	The Executive Committee and Strategy <ul style="list-style-type: none">▪ Role of the Executive Committee in Strategy▪ Strategic Framework and Strategic Analysis▪ Strategic Change and Strategic Evaluation
1600 – 1620 Hrs	TEA/COFFEE BREAK
1630 – 1645 Hrs	Key Lessons of the Day

DAY THREE: WEDNESDAY, AUGUST 2, 2006

0830 – 1030 Hrs	The Executive Committee and Human Resources <ul style="list-style-type: none">▪ Attracting, Retaining and Motivating the Human Resources▪ Providing effective leadership
1030 – 1100 Hrs	TEA/COFFEE BREAK
1100 – 1300 Hrs	Appreciating financial reports <ul style="list-style-type: none">▪ Interpreting financial statements▪ Budgeting▪ Key performance indicators▪ Risk Management
1300 – 1400 Hrs	LUNCH BREAK
1400 – 1500 Hrs	Corporate Governance Reporting and Disclosure
1500 – 1600 Hrs	Discussion Forum: How to make the FEAFFA Institutions More Effective
1600 – 1630 Hrs	Reporting on Discussion and Closure
1630 – 1700 Hrs	TEA/COFFEE

APPENDIX 2

LIST OF PARTICIPANTS

Corporate Governance Course and Workshop			
Participants List By Country			
VENUE: Nairobi - Kenya			
No.	NAME		ORGANISATION
	Tanzania		
1	Mr. Otieno O. Igogo	President	TAFFA
2	Mr. Walter Mndeme	Secretary General	TAFFA
3	Mr. Aziz Senkoro	Treasurer	TAFFA
4	Mr. Shaban Geva	Councilor	TAFFA
5	Ms. Benadeth Kafuko	Deputy Executive Officer	TAFFA
6	Mr. Solomon A. Kasa		
	Kenya		
7	Mr. Joseph Ngetich	National Chairman	KIFWA
8	Mr. John Gardner	National Treasurer	KIFWA
9	Mr. Gilbert Langat	Executive Officer - MSA	KIFWA
10	Mr. Enoch Sabwa	National Treasurer - NBI	KIFWA
11	Mr. John Mathenge	Executive Officer - NBI	KIFWA
12	Mr. Theo Lyimo	ARD Chief of Party	USAID/ARD
13	Ms. Ruth Kuria	Logistics/Facilitator	USAID/ARD
14	Ms. Joyce Litunya	Logistics/Facilitator	USAID/DAI
15	Mr. Hillary Yatich	Rapporteur	USAID/ARD/DAI
16	Ms. Laila Macharia	Senior Regional Advisor – Anti-corruption	USAID/RCMG/REDSO
	Uganda		
17	Mr. Charles Kareeba		UFFA
18	Mr. Charles Mwebembezi		UFFA
19	Mrs. Jennifer Mwijukye		UFFA
20	Mrs. Merian Sebunya		UFFA
21	Mrs. Susan K. Musisi		UFFA
22	Ms. Jennifer Kagugube		
23	Captain P. N. Musoke		FEAFFA
24	Mr. Omar Kassim	National Chairman	UCIFA

25	Mr. Tabule J. Johnsons	Executive Secretary	UCIFA
26	Mr. Frank Muramura	Administration Manager	UCIFA
	Burundi		
27	Mr. Deo Ntibibuka	Chairman and Chief of Delegation	ABADT
28	Mr. Severin Kanjoli	1st Vice Chairman	ABADT
29	Mr. Dieudonne Barisizaho		ABADT
30	Mr. Jean Pierre Kagisye		ABADT
31	Ms. Odette Ndikumagenge		ABADT
32	Mr. Mutijima Jean-Bosco		
	Rwanda		
33	Mr. Alphonse Ndutiye	2nd Vice President	ADR
34	Ms. Anita Bitega	Executive Officer	ADR
35	Mr. Pierrette Kagame	Member	ADR
36	Mr. Alphonse Mihayo	Secretary	ADR
37	Mr. Jean de Dieu Dukundane	President	ADR

**LIST OF FACILITATORS
CENTRE FOR CORPORATE GOVERNANCE**

	NAME	DESIGNATION
1	Mr. Karugor Gatamah	Chief Executive Officer
2	Dr. Joshua Okumbe	Deputy Chief Executive Officer
3	Mr. Ernest Najoli	Training & Education Officer
4	Mr. George Odete	Legal Officer

APPENDIX 3

PROPOSED OUTLINE FOR THE CONSTITUTION OF FEAFFA

The following is the framework that was agreed upon for the constitution of FEAFFA, following the training course organised for FEAFFA between July 31 and August 4, 2006, at the Safari Park Hotel, Nairobi, Kenya, and facilitated by the Centre for Corporate Governance:

5. Preamble
6. Interpretation
7. Name and Association address
8. Vision
9. Mission statement
10. Objectives
11. Funds and liability
12. Role of the Association
13. Supremacy of the Constitution
14. Membership
 - Limited liability companies
 - Associate
 - Honorary members
15. Responsibilities and rights of members
16. Termination of membership
17. Organs of the Association:
 - The General Assembly
 - Composition
 - The Executive Committee:
 - Composition
 - The Auditor
 - There shall be a permanent secretariat manned by the Executive officer
 - Sub-committees provided for
18. Tenure of office
 - Term of office for the Executive Committee
 - Executive Committee accountable to the General Assembly
19. Duties and the responsibilities of the organs
 - General Assembly
 - Executive Committee
20. Management of the Association
 - Annual General Assembly
 - The Executive Committee

- Frequency of Meetings: Once every quarterly
 - Chairman presides over both Annual General Assembly and the Executive Committee
21. Code of conduct
 22. Responsibilities the Executive Committee
 - The Chairman
 - The Vice Chairman
 - The General Secretary
 - The Treasurer
 - Other members of the Executive Committee
 - Sub-Committees and ad hoc working groups
 - Sub-committees
 - Membership of sub-committees
 23. Management of funds
 24. The Auditor
 25. Trustees
 26. Dispute resolution
 27. The seal and the stamp
 28. Alterations of and amendments to the constitution
 29. Arbitration
 30. Dissolution of the Association
 31. Adoption of the Constitution
 32. Signature and date

Participants agreed that the broad framework above should be used as a basis for reconstituting the FEAFFA constitution and that the crafting of the constitution would be concluded at a later date by members of FEAFFA based on the agreed constitutional framework.

PROPOSED OUTLINE FOR THE CODE OF CONDUCT OF FEAFFA

A code of conduct is a set of rules or regulations of any organization where the members agree to abide by.

The following is the framework that was agreed upon for the Code of Conduct of the Federation of East African Freight Forwarders Association (FEAFFA), following the training course organised for FEAFFA between July 31 and August 4, 2006, at the Safari Park Hotel, Nairobi Kenya, and facilitated by the Centre for Corporate Governance:

1. Preamble
2. Objectives
3. Definition of terms in the code of conduct
4. Professional Code (obligations of members). The key attributes agreed upon include but are not limited to:
 - Integrity
 - Accountability
 - Transparency
 - Avoiding conflicts of interest
 - Diligence
 - Conscientiousness, and
 - Avoiding fraud
5. Enforcement
6. Disciplinary actions
7. Harmonisation and enforcement.
8. Compliance

It was agreed by the members that only the FEAFFA Code of Conduct would be used by all the National Associations.