

GOVERNMENT OF LIBERIA: MINISTRY OF STATE  
FOR FINANCE, ECONOMIC AND LEGAL AFFAIRS

# NATIONAL COMPENSATION PLAN FOR STATE OWNED ENTERPRISE (SOE) BOARDS AND SENIOR MANAGEMENT

(DRAFT: This report was submitted to the Government of Liberia Ministry of State for Finance, Economic and Legal Affairs for their review/approval.)

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## EXECUTIVE SUMMARY

The Government of Liberia (GOL) has determined that it needs to take a hard look at the compensation being paid to both Boards and senior management at its State Owned Enterprises (SOE’s). This decision is part of a key feature of the Public Financial Management (PMF) Act in which the GOL maintains the provision of essential services to the Liberian population via SOE’s, but makes every effort to reduce their burdensome costs. The need for a National Compensation Plan for SOE’s reflects two primary concerns:

- The perceived lack of fairness and consistency, among SOE’s themselves and the public at large, over the current compensation paid to Board members and senior management.
- The desire of the GOL to have an affordable level of Board and senior management compensation in order to increase the amount of revenue reflected in “dividends,” fees, and similar sources. In such a way SOE’s can contribute to the national Treasury, increase cost savings and reduce or eliminate subsidies where they exist.

### DESIGN AND STRUCTURE OF THE PLAN

The Plan divides the 15 government entities into three groups: commercial SOE’s, non-commercial SOE’s and regulatory bodies. For the first two, the plan uses a set of criteria—financial size, organizational effectiveness and governance practices—to assess each SOE with a common weighted score. SOE’s are then placed into four tiers which will dictate the level of compensation at each tier. Regulatory bodies are treated separately.

The criteria and resulting four tiers are constructed to allow for adjustments in compensation levels based on changing conditions in the SOE, market conditions, etc. However, the ratios established provide a consistent framework to establish fees and salary ranges, directly linked individual SOE assessment.

Resulting tiers and accompanying proposed compensation levels are (**Proposal I**):

SOE’s	Statutory Fee/Quarter	Non-statutory Fee/Quarter	Chair Fee/Quarter	MD Monthly Salary Range
I. LPMC, NHA	\$500	\$1,000	\$1,500	\$2,156-\$3,234
II. LAA, LBS, NTA Libtelco,	\$750	\$1,500	\$2,250	\$2,772-\$4,158
III. LEC, FDA, LWSC	\$1,000	\$2,000	\$3,000	\$3,388-\$5,082
IV. LPRC, NASSCORP, NPA	\$1,250	\$2,500	\$3,750	\$4,004-\$6,006

**\*NOCAL not rated because no information was submitted. It should be instructed to submit its detailed financial and salary information immediately.**

Implementing the proposed plan will yield significant savings to the GOL. In addition, by emphasizing organizational effectiveness such as in financial statements, strategic plan, performance evaluation—and good governance practices such as in the annual report, remuneration committee, board qualifications, the plan rewards those SOE’s that demonstrate better performance with higher compensation.

**Proposal II**, recommended as part of an omnibus SOE Reform Bill, would place a limit on the number of Board members at seven (7) for each SOE. Five to seven members is a frequently cited optimal size for effective decision-making among Boards. There is no evidence to suggest that the current larger number in most SOE’s yields greater effectiveness or productivity.

<b>Current Board Members Annual Compensation All SOE’s</b>	<b>Current Board Members Annual Compensation at Proposed Fees (Proposal I)</b>	<b>Reduction in Annual Cost to GOL</b>	<b>Maximum of Seven Board members/SOE at Proposed Fees (Proposal II)</b>	<b>Total Potential Reduction in Cost to GOL</b>
<b>\$907,204</b>	<b>\$734,500</b>	<b>\$172,704</b>	<b>\$584,747</b>	<b>\$322,457</b>

**Proposal I: Four tiered structure for statutory, non-statutory board members and Chair and MD compensation**

**Proposal II: Reducing boards to seven (7) member maximum, removing twenty-one (21) board members from all SOE’s.**

**We therefore encourage adoption of both proposals for maximum savings.** In addition, limits to senior salary levels are proposed which will freeze salaries outside recommended ranges and eliminate unrestrained salary growth in the future.

We recommend for LTA and BMA—structured with full time commissioners, five and one respectively—a review of proposed budgets and salary levels by the President, or her designee. This method was used for LTA when its board was newly reconstituted and can serve as a benchmark at \$10,000/mo. (\$12,500 for Chair) for full-time commissioners. BMA submitted no information so no comments can be offered. However, we recommend BMA submit its budget including detailed salary information to the President, or her designee, immediately.

Board qualifications, a set of specifically defined responsibilities, skills, experience, and personal qualities required of effective board members do not exist for SOE’s. When asked during interviews about such qualifications, every single SOE interviewed responded that, “The President decides who is to be appointed to the Board and what the qualifications should be.” A set of generic qualifications is included in the plan, but should be tailored by each SOE board.

There is one caveat to this plan. We should point out that the data submitted by the SOE’s has not necessarily been audited. The financial data in particular may be questionable and the data require validation on assets, revenue and profit (loss).

Whatever form the final plan takes, it should demonstrate consistency, transparency and accountability. These are clearly absent in the current SOE compensation practices and the enabling legislation.



## INTRODUCTION

The Government of Liberia (GOL) has determined that it needs to take a hard look at the compensation being paid to both Boards and senior management at its State Owned Enterprises (SOE's). This decision is part of a key feature of the Public Financial Management (PMF) Act in which the GOL maintains the provision of essential services to the Liberian population via SOE's, but makes every effort to reduce their burdensome costs. The need for a National Compensation Plan for SOE's reflects two primary concerns:

- The perceived lack of fairness and consistency, among SOE's themselves and the public at large, over the current compensation paid to Board members and senior management.
- The desire of the GOL to have an affordable level of Board and senior management compensation in order to increase the amount of "dividends" SOE's can contribute to the national Treasury and reduce or eliminate subsidies where they exist.

The Minister of State for Finance, Economic and Legal Affairs has approached IBI International through USAID funding, for the creation of a Draft National Compensation Plan for State Owned Enterprises (SOEs) Boards and Senior Management. Today, there are no limits to the level of compensation for Board fees and allowances. The same is true for SOE senior management as well. Previous studies have proposed a "one size fits all" level of compensation for SOE Boards, but no comprehensive plan has been developed to consider the differences in SOE mandates, financial size, organizational structures and effectiveness, and adoption of good governance practices. The plan presented here considers all these elements and sets out a clear and measureable set of criteria against which to assess each SOE. The criteria are then applied to create a set of SOE categories, as requested by the Minister of State, used to determine compensation levels.

The plan is unique to Liberia. Categorization systems in other countries rely primarily on financial data to determine levels or tiers of SOE's. However, we proposed both organizational effectiveness and good governance practices as part of the criteria to encourage SOE's to focus on these areas as they move forward in their development. By linking compensation levels to these non-financial measures, Board members and senior managers know they have to pay attention to more than revenue and profits to improve their compensation.

The plan also has to be perceived as fair and reasonable by its stakeholders, in this case, the Board members and senior management of SOE's themselves. These criteria were agreed to as "fair and reasonable" in order to categorize and assess all SOE's in Liberia at two Stakeholders Workshops, held on May 11 and 19 in Monrovia. All SOE's and regulatory bodies were represented at one or both of the workshops.

### GOALS OF THE PLAN:

The plan's goals are to set a fair and consistent set of compensation ranges, based on a categorization system, for SOE Boards and senior management. The plan should be consistent with international standards as identified and recommended by such bodies as the World Bank and Organization for Economic Development (OECD). The plan should, therefore, look at the SOE compensation system both in terms of what is fair compensation in Liberia now, and apply standards set by reputable bodies into the criteria for setting the final compensation figures. Only by applying both standards—local and international—does a plan make sense if the GOL is to be perceived as making progress in its efforts to improve management of its assets and reduction of financial abuse. The specific goals of the plan are:

1. To create a set of categories of SOE's that reflect the differences in mandate, size, profitability, and other organizational factors that impact on determining appropriate compensation.

2. To define, within each category, a set of measurable criteria against which to assess each SOE.
3. To assign each SOE, based on its assessment score against the criteria, to one of four “tiers” and create appropriate compensation amounts for board members and senior managers within each tier.

The final “product” of the plan becomes a set of recommended compensation levels for boards and senior management for the four tiers, with recommended implementation guidelines. Also included are a set of broader compensation policy recommendations for SOE’s on how the GOL can best monitor and evaluate them in the future.

The plan’s sections include:

1. A listing of the SOE’s in the plan and their preliminary classification into three categories: commercial SOE’s, non-commercial SOE’s and regulatory bodies
2. A breakdown of current compensation for Board members and senior management
3. A description of the criteria used to assess the SOE’s and place them into four tiers, including results of assessment
4. Proposed Board compensation for the SOE’s
5. Proposed senior management compensation for the SOE’s
6. Proposed compensation guidelines and discussion for regulatory bodies
7. Additional general recommendations regarding compensation and monitoring and evaluation of SOE performance

## SECTION I: SOE'S IN THE NATIONAL COMPENSATION PLAN

SOE's included in the plan as originally listed by the Minister of State for Finance, Economic and Legal Affairs were:

BMA	Bureau of Maritime Affairs
FDA	Forestry Development Authority
LEC	Liberian Electricity Corporation
LBS	Liberia Broadcasting System
Libtelco	Liberia Telecommunications Corporation (formerly LTC)
LPMC	Liberian Produce Marketing Company
LPRC	Liberian Petroleum Refining Corporation
LTA	Liberia Telecommunications Authority
LWSC	Liberia Water and Sewer Corporation
NASSCORP	National Social Security and Welfare Corporation
NHA	National Housing Authority
NOCAL	National Oil Company of Liberia
NPA	National Port Authority
NTA	National Transportation Authority
RIA	Roberts International Airport*

\*RIA was soon changed to LAA—Liberia Airport Authority—to reflect its recent emerging regulatory role. However, it retains a commercial entity within it—RIA.

### PRELIMINARY CATEGORIES

The design of the plan took as its starting point the fifteen SOE's, as defined by the office of the Minister of State for Finance, Economic and Legal Affairs. After visiting the SOE's, consulting with their staffs, reading their enabling legislation and better understanding their structure and operations, it became apparent that all the SOE's did not perform an easily comparable set functions. More importantly, their very mandates fell into different categories. After consulting with SOE representatives themselves at two Stakeholders Workshops held on May 11 and 19th, we created a set of three preliminary categories, based on the following definitions:

#### **Commercial SOE's: LPMC, LPRC, Libtel, NOCAL, NPA**

- Produce and sell goods and services in the marketplace
- Should make a profit
- If possible, should pay an annual dividend to the GOL

#### **Non-commercial SOE's: LBS, LEC, LWSC, NHA, NTA, NASSCORP<sup>1</sup>**

- Do not have profit as part of their mandate

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<sup>1</sup> As a financial institution NASSCORP must generate sufficient revenue over expenses to pay pension benefits and medical expenses to its beneficiaries.

- Provide an essential good or service (housing, water, etc.) as a social contribution to the population
- While their goals should include covering their own costs, frequently receive a subsidy from the government

**Regulatory agencies: BMA, FDA, LAA,<sup>2</sup> LTA**

- Issue licenses, enforce standards and safety, oversee use of public goods and regulate commerce in a particular sector in accordance with government policy
- Generally have greater autonomy than SOE's in their mandate and operations
- Send revenue from licensing fees and other regulatory sources to the GOL

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<sup>2</sup> BMA, FDA, LAA conduct commercial activities as well. FDA and LAA are currently structured as commercial SOE's with a board and managing director and therefore are combined with commercial SOE's in this plan regarding current compensation and compensation recommendations. LTA and BMA, which have 6 and 1 full time commissioners, respectively, are covered in Section V.

## SECTION II: CURRENT COMPENSATION AT SOE'S

The following set of charts summarizes current compensation for Board members and senior management at SOE's. These findings are based on figures submitted by the SOE's themselves, are not published anywhere in annual reports or other SOE materials, and are not readily available to the public.

The charts distinguish between statutory and non-statutory Board members. For the purpose of this plan **statutory** board members are those who receive a salary and possible additional allowances from other institutions of the GOL while serving on an SOE Board. They are most frequently in the position of Minister and are included as designated Board members in the SOE's enabling or founding legislation. **Non-statutory** board members are those who do not work for the government in some other capacity and do not receive a salary or possible additional allowances from the GOL.

**Chart 1: Liberia's SOE Board Fees**

SOE	NUMBER OF BOARD MEMBERS	CURRENT COMPENSATION PER BOARD MEMBER/QUARTER Statutory/Non-Statutory (or one figure for both)	CHAIR-PERSON FEES	CO-CHAIR-PERSON FEES	TOTAL QUARTERLY BOARD FEES	TOTAL ANNUAL BOARD FEES
NASSCORP	10	\$3,100	\$3,700	\$3,350	\$31,850	\$127,400
LPRC	9	\$3,000	\$4,000	\$0	\$28,000	\$112,000*
LWSC	9	\$3,000	\$3,450	\$0	\$27,450	\$109,800
Libtelco	7	\$3,000	\$3,000	\$0	\$15,000	\$60,000
LAA	6	\$2,724	\$3,405	\$0	\$14,301	\$57,204
FDA	9	\$2,468	\$3,083	\$0	\$22,827	\$91,308
NPA	15	\$1,500/\$2000	\$0	\$0	\$22,500	\$90,000**
LPMC	7	\$1,500	\$1,500	\$0	\$7,500	\$30,000
LEC	9	\$1,300/\$1,800	\$2,300	\$0	\$15,200	\$60,800
NHA	7	\$1,000/\$1,500	\$1,500	\$0	\$9,000	\$36,000
NTA	6	\$950/\$708	\$4,800	\$976	\$8,850	\$35,400
LBS	9***	\$0	\$0	\$0	\$0	\$0
NOCAL****						
<b>Total Annual Board Fees</b>						<b>\$809,912</b>

\*Plus Bonus of \$4000/member, \$5000/Chair

\*\*Plus Bonus \$1000/member

\*\*\*LBS will not pay board compensation until it becomes profitable.

\*\*\*\*No information was submitted by NOCAL.

**There are notable inconsistencies this throughout the current compensation practices:**

- **Four boards pay statutory and non-statutory members at different levels. The rest do not.**
- **The number of board members varies widely, usually stipulated in the enabling legislation.**
- **The fees have a wide range of amounts with no rationale for the differences.**
- **Some Chairperson fees are extremely high, e.g. \$4800 per quarter, compared to other chairpersons and board members in general. Some are the same as board members.**
- **Two SOE's have Co-Chairpersons. The rest do not.**

**Chart 2: Liberia SOE's Allowances**

SOE	NUMBER OF BOARD MEMBERS	BOARD MEMBER ALLOWANCE	CHAIRPERSON ALLOWANCE	CO-CHAIRPERSON ALLOWANCE	TOTAL QUARTERLY BOARD ALLOWANCES	TOTAL ANNUAL ALLOWANCES
LPMC	7	\$1,500	\$1,500	\$1,500	\$7,500	\$30,000
FDA	9	\$668	\$1,283	\$668	\$6,627	\$26,508
NASSCORP	10	\$657	\$1,059	\$858	\$7,173	\$28,692
LBS	9	\$0	\$0	\$0	\$0	\$0
LEC	9	\$0	\$3,023	\$0	\$3,023	\$12,092
LPRC	9	\$0	\$0	\$0	\$0	\$0
LWSC	9	\$0	\$0	\$0	\$0	\$0
Libtelco	7	\$0	\$0	\$0	\$0	\$0
NHA	7	\$0	\$0	\$0	\$0	\$0
NPA	15	\$0	\$0	\$0	\$0	\$0
NTA	6	\$0	\$0	\$0	\$0	\$0
LAA	6	\$0	\$0	\$0	\$0	\$0
NOCAL*						
						\$97,292

\*No information was submitted by NOCAL.

**Chart 3: Liberia SOE's Total Compensation (Fees and Allowances)**

SOE	NUMBER OF BOARD MEMBERS	TOTAL ANNUAL FEES	TOTAL ANNUAL ALLOWANCES	TOTAL ANNUAL BOARD COMPENSATION	TOTAL ANNUAL COMPENSATION PER BOARD MEMBER
NASSCORP	10	\$127,400	\$28,692	\$156,092	\$15,609
FDA	9	\$91,308	\$26,508	\$117,816	\$13,091
LPRC	9	\$112,000	\$0	\$112,000	\$12,444
LWSC	9	\$109,800	\$0	\$109,800	\$12,200
NPA	15	\$90,000	\$0	\$90,000	\$6,000
LEC	9	\$60,800	\$12,092	\$72,892	\$8,099
LPMC	7	\$30,000	\$30,000	\$60,000	\$8,571
Libtelco	7	\$60,000	\$0	\$60,000	\$8,571
LAA	6	\$57,204	\$0	\$57,204	\$9,534
NHA	7	\$36,000	\$0	\$36,000	\$5,143
NTA	6	\$35,400	\$0	\$35,400	\$5,900
LBS	9	\$0	\$0	\$0	\$0
NOCAL*					
<b>Grand Total Board Fees and Allowances</b>				<b>\$907,204</b>	

\*No information was submitted by NOCAL.

**Additional inconsistencies:**

- **Allowances generally consist of fuel allowance and “scratch cards.” Some SOE’s offer a “general” allowance as well.**
- **While most SOE’s do not give Board allowances, those that do appear to have no systematic way of setting amounts or determining differences for members, Chairpersons and Co-Chairpersons.**



**Chart 4: Liberia SOE's Ministerial Compensation**

MINISTRY	SOES	SOE ANNUAL FEES AND ALLOWANCES	GOL ANNUAL MINISTER SALARY	GOL ADDITIONAL MINISTER ALLOWANCES	ESTIMATED ANNUAL TOTAL**
MOF	FDA,LBS,LEC,LWSC, NOCAL, NPA ,NTA (7)	\$39,544	\$2,400	\$36,000	\$77,944
MPEA	FDA,LBS,LWSC,NPA (4)	\$30,544	\$2,400	\$36,000	\$68,944
MoJ	LBS,LEC,LWSC,NHA (4)	\$21,200	\$2,400	\$36,000	\$59,600
MOA	FDA,LPMC (2)	\$24,544	\$2,400	\$36,000	\$62,944
MIA	FDA,LPMC (2)	\$24,540	\$2,400	\$36,000	\$62,940
MCI	FDA, NPA (2)	\$18,544	\$2,400	\$36,000	\$56,944
MoL	LEC	\$5,200	\$2,400	\$36,000	\$43,600
MCIT	LBS	\$0	\$2,400	\$36,000	\$38,400
MPW	NHA	\$4,000	\$2,400	\$36,000	\$42,400
MoT	NTA	\$3,800	\$2,400	\$36,000	\$42,200

\*Based on figures from Civil Service Agency (CSA) Additional compensation may come from other sources.

\*\*Figures are based on one meeting per quarter. Some SOE's include sitting fees in their compensation for Board members and if so, the actual total annual compensation could be higher depending on number of meetings. Most SOE's hold meetings once a month. Appendix VII.

**Additional inconsistency:**

- **There is no correlation between the total compensation and number of Board members.**

**Additional points worth noting:**

- **Ministers are on many boards and unable to carry out responsibilities given time constraints**
- **Ministers may have a conflict of interest in their roles as senior government officials versus board member**
- **Compensation continues to be inconsistent**

**Chart 5: Senior Management (MD's) Compensation**

SOE	MD MONTHLY COMPENSATION	MD MONTHLY ALLOWANCE	MD BOARD FEE AS SECRETARY	MONTHLY TOTAL	ANNUAL TOTAL
LPRC	\$8,000	\$0	\$1,000	\$9,000	\$108,000*
NPA	\$6,700	\$1,260	\$500	\$8,460	\$101,520
LAA	\$5,100	\$0	\$908	\$6,008	\$72,096
Libtelco	\$5,000	\$0	\$1,000	\$6,000	\$72,000
NASSCORP	\$4,200	\$0	\$1,033	\$5,233	\$62,800
FDA	\$4,000	\$2,167	\$823	\$6,990	\$83,876
LEC	\$3,500	\$1,750	\$433	\$5,683	\$68,200
NHA	\$2,300	\$2,800	\$333	\$5,433	\$65,200
LWSC	\$1,080	\$1,740	\$1,000	\$3,820	\$45,840
NTA	\$1,000	\$0	\$317	\$1,317	\$15,800
LPMC	\$182	\$1,734	\$0	\$2,416	\$22,992
LBS	\$391	\$1,500	\$0	\$1,891	\$22,692
NOCAL**					

\*Plus one month salary bonus

\*\*No information was submitted by NOCAL.

**Major inconsistencies in senior management compensation:**

- **There is a large difference between base salary figures for MD's, especially at the most highly paid levels.**
- **A majority of MD's serve as Secretary to the Board and are compensated for that role.**
- **Allowances also vary widely and usually include fuel, scratch cards and sometimes a housing allowance, not in these figures.**

**Chart 6: Total Senior Management (MD's and Next Top 2 Managers) Compensation**

SOE	MD MONTHLY SALARY AND ALLOWANCES	NEXT 2 SENIOR MANAGERS MONTHLY SALARY AND ALLOWANCES	TOTAL MONTHLY TOP 3 MANAGERS	TOTAL ANNUAL TOP 3 MANAGERS
LPRC	\$9,000	\$9,442	\$18,442	\$221,304
NPA	\$8,460	\$12,400	\$20,860	\$250,320
FDA	\$6,990	\$6,933	\$13,923	\$167,076
LAA	\$6,008	\$6,800	\$12,808	\$153,696
Libtelco	\$6,000	\$3,500	\$9,500	\$114,000
LEC	\$5,683	\$6,000	\$11,683	\$140,196
NHA	\$5,433	\$5,000	\$10,433	\$125,196
NASSCORP	\$5,233	\$5,861	\$11,094	\$133,128
LWSC	\$3,820	\$3,420	\$7,240	\$86,880
LPMC	\$1,916	\$2,777	\$4,693	\$56,316
LBS	\$1,891	\$2,832	\$4,723	\$56,676
NTA	\$1,317	\$925	\$2,242	\$26,904
NOCAL*				
				<b>\$1,531,692</b>

\*No information was submitted by NOCAL.

**Additional inconsistencies:**

- **There is a significant variance between the base salaries of the top three managers at most SOE's and the staff below them.**
- **Allowances below the top three managers also vary considerably or are eliminated entirely.**

**COMPENSATION PLANS AT SOE'S**

It cannot really be said that compensation plans exist at SOE's in Liberia, for Boards, senior management, or employees as a whole. Compensation schedules are there, listing fees and allowances for Board members and base salary and allowances in great detail for all employees. However, when asked about how salary actions are determined, virtually all SOE's responded that "across the board" salary actions usually related to cost of living are the chief method of changing compensation levels. We know of no SOE that has a set of employee grades with accompanying salary ranges within each grade—the traditional method of constructing a compensation plan. Such plans may exist but were not submitted to the consulting team. Frequently requests for information were not met enthusiastically and information came slowly, if at all. Handwritten information was submitted at the May 19 Stakeholders Workshop for example, despite written requests for the same information and interviews held over one month earlier. In short, there appears to be a "culture of opaqueness" about compensation levels among the SOE's. They are not published and obtaining information by the public, especially about Board and senior management compensation, is extremely difficult.

## **Board Qualifications**

Similar to compensation plans, specific descriptions of Board qualifications at SOE's do not exist. When asked during interviews about such qualifications, every single SOE interviewed responded that, "The President decides who is to be appointed to the Board and what the qualifications should be."

In response to this lack of a general set of qualifications for Board members at all SOE's, we distributed a set of key responsibilities, skills, competencies, and specific tasks for Board members at the May 11 Stakeholders Workshop. Appendix IX

Also attached is a similar set of qualifications for Managing Directors of SOE's. Appendix X

## SECTION III: CRITERIA FOR CATEGORIZING THE SOE'S

### INTERNATIONAL COMPENSATION PRINCIPLES FOR SOES

While there is no single standard for paying Board members or senior managers in SOE's, certain principles exist that impact how compensation should be determined. These include, at the outset, that **“statutory” board members, e.g., those already working for the government in another capacity, generally receive nothing for serving on the Board of an SOE.**

*Executive board members, ministerial appointees, and employee representatives when present, generally receive no compensation for serving on the board of the enterprise, except perhaps for a nominal fee.<sup>3</sup>*

Other principles apply as well:

- Government has a role in placing limits (upper and lower) on board and senior management compensation
- Boards should use Remuneration Committees composed of non-statutory members to study and recommend management salaries
- Compensation should be performance related (at least in part)
- Compensation for board members (when it exists) and for senior management is generally below private sector rates

A number of current Board compensation practices in Liberia are inconsistent with international practices. **Most striking is the on-going system of SOE Boards setting their own fees with no monitoring or supervisory agency reviewing these fees or setting limits.** The common model for SOE Board compensation review is to have a unit of the government be responsible for collecting relevant information about SOE performance and recommend guidelines annually to the National Cabinet or similar senior level decision-making body on **upper and lower compensation limits for SOE's.** **We suggest this responsibility be implemented by the Bureau of State Enterprises (BSE), because it already is authorized to do so.**

In addition, the fact that a number of Ministers receive large and often multiple fees is in direct contrast to the principle of most countries statutory Board members receiving nothing, because their role is seen as part of their ministerial/governmental duties. While statutory board members, and others, are usually reimbursed for travel and other business expenses related to Board duties, no additional compensation is paid.

Criteria for categorization and weight in SOE assessment<sup>4</sup> (Please see appendices indicated for more detailed information on measurements used.)

1. Financial size (revenue versus assets—50%) Appendix II

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<sup>3</sup> Held by The Invisible Hand: The Challenge of SOE Corporate Governance for Emerging Markets, World Bank, Corporate Governance, 2006

<sup>4</sup> These criteria were introduced at the May 11th Stakeholders Workshop with a range of weighted percentages. Participants agreed upon the criteria, including modifying “profit versus revenue” for non-commercial SOE's and regulatory bodies at the May 19<sup>th</sup> workshop.

2. a. commercial SOE's: Profitability (gross profit versus revenue, profit before any dividend is sent to GOL—15%) Appendix III
  - b. non-commercial SOE's: Measureable social Impact (number of persons in population served—15%)<sup>5</sup> Appendix IV
  - c. regulatory bodies: Contribution to GOL (amount of funds sent to GOL--15%)
3. Number of employees (5%) Appendix V
4. Organizational effectiveness (15%) Appendix VI
  - a. Existence/review for quality of strategic plan
  - b. Existence/review for quality of organization performance indicators
  - c. Existence/review for quality of staff performance evaluation system
  - d. Timely, accurate financial reports including balance sheet, income statement, cash flow forecast
5. Governance practices (9%) Appendix VI
  - a. Clearly defined board member qualifications, including technical, sector and professional knowledge requirements
  - b. Established Remuneration Committee to monitor compensation and propose management compensation actions to Board
  - c. Published Annual Report within time set by statute, but not more than three (3) months after year end, including compensation of Board and senior management and audited financial statements
6. Frequency of board meetings appropriate to fulfill tasks and responsibilities (6%) Appendix VII

## ASSESSMENT RESULTS

Scoring each SOE against the criteria yielded categorization into the following four tiers. Self-evaluations from eight SOE's attending the May 19 workshop were also reviewed as part of the final scoring. Other SOE's were asked to submit self-evaluations, but did not:

**Chart 7: Tier Level Results<sup>6</sup>**

TIER LEVEL	SOE
I	LPMC , NHA
II	LBS, NTA, LAA, Libtelco
III	LWSC , FDA, LEC
IV	NPA, NASSCORP, LPRC

<sup>5</sup> This number will act as a baseline against which to measure increased access of the population. The next assessment of non-commercial SOE's should include as a criterion the percentage increase in number of persons served.

<sup>6</sup> Calculated using standard deviation. NOCAL remains unrated. Appendix VIII

## SECTION IV: PROPOSED COMPENSATION FOR BOARD MEMBERS OF SOE'S.

The basis for the proposed Board fee structure is as follows:

1. Use the previously recommended to the Minister of State for Finance, Economic and Legal Affairs **\$1000** quarterly fee as a base for statutory board members at **level III** of the four tier model.<sup>7</sup>
2. Construct fees around that figure at a \$250 differential for each tier for statutory members (consistent with limited compensation principle)
3. Apply **2x** multiple for non-statutory board members at each tier (consistent with higher fees for non-statutory members)
4. Create a multiple of 1.5 for the Chairperson and 1.25 for the Deputy or Vice Chair if one exists, to compensate them for their additional duties.

**Chart 8: Proposed SOE Board Compensation<sup>8</sup>**

SOE TIER	STATUTORY BOARD MEMBER FEE/QTR.	NON-STATUTORY BOARD MEMBER FEE/QTR.	CHAIR FEE@ 1.5 X (ASSUMES CHAIR NON-STATUTORY)	CO-CHAIR FEE @1.25X (ASSUMES CO-CHAIR NON-STATUTORY)
LPMC, NHA	\$500	\$1,000	\$1,500	\$1,250
LAA, LBS, Libetelco, NTA	\$750	\$1,500	\$2,250	\$1,875
FDA, LWSC, LEC	\$1,000	\$2,000	\$3,000	\$2,500
LPRC, NASSCORP, NPA	\$1,250	\$2,500	\$3,750	\$3,125

<sup>7</sup> Review of State-Owned Enterprise, Ministry of State for Finance, Economic and Legal Affairs, December, 2009, p.20.

<sup>8</sup> The proposed figures for Chair and Co-chair are slightly lower than those presented at the Stakeholder Workshops. Final calculations indicated that only lower figures would enable the GOL to reduce overall SOE Board costs. Higher level fees for committee chairs were eliminated.

**Chart 9: Immediate Savings with New Board Compensation Plan**

SOE	Number of Board Members	Total Annual Fees	Total Annual Allowances	Total Current Annual	New Board Fee Amounts (No Allowances)	Savings In Annual Compensation
NASSCORP	10	\$127,400	\$28,692	\$156,092	\$92,500	\$63,592
FDA	9	\$91,308	\$26,508	\$117,816	\$125,000	(\$7,184)
LPRC	9	\$112,000	\$0	\$112,000	\$90,000	\$22,000
LWSC	9	\$109,800	\$0	\$109,800	\$64,000	\$45,800
NPA	15	\$90,000	\$0	\$90,000	\$125,000	(\$35,000)
LEC	9	\$60,800	\$12,092	\$72,892	\$70,000	\$2,892
LPMC	7	\$30,000	\$30,000	\$60,000	\$31,000	\$29,000
Libtelco	7	\$60,000	\$0	\$60,000	\$42,000	\$18,000
LAA	6	\$57,204	\$0	\$57,204	\$36,000	\$21,204
NHA	7	\$36,000	\$0	\$36,000	\$26,000	\$10,000
NTA	6	\$35,400	\$0	\$35,400	\$33,000	\$2,400
LBS	9	\$0	\$0	\$0	\$0	\$0
NOCAL**						
<b>Total Savings</b>						<b>\$172,704</b>

**ADDITIONAL RECOMMENDED PRACTICES**

- Review and adjust board fees every two years based on criteria described
- Establish upper limit for statutory board members serving on multiple boards. For example, no Minister should be allowed to collect fees from more than two boards in any one year.
- Eliminate other allowances and reimburse strictly on actual expenses incurred while participating in board activities. Pay on the basis of submitted vouchers.

**Special Note:**

The single most effective action the GOL can take to reduce SOE Board costs would be to reduce the number of Board members through an omnibus SOE Reform Act. Such action is required because the enabling legislation for most SOE's stipulates the number of Board members and often lists exact Ministers who are assigned to sit on the Board. If the average size of SOE Boards were reduced to seven (7) rather than maintaining the current levels, 21 Board positions would be eliminated. Such a size is considered effective in most countries and larger Boards are often viewed as operating poorly in terms of communication and decision making, because of excessive number of members.

At the current quarterly Board member mean level of \$2,140, the estimated annual savings to the GOL would be \$179,760 if board size were reduced.

If both the proposed Board compensation plan and reduction of number of Board members were implemented, the savings would be even more dramatic.



**Chart 10: Potential Savings to GOL Implementing Compensation and Board Member Proposals**

<b>CURRENT BOARD MEMBERS ANNUAL COMPENSATION ALL SOE'S</b>	<b>CURRENT BOARD MEMBERS ANNUAL COMPENSATION AT PROPOSED FEES</b>	<b>REDUCTION IN ANNUAL COST TO GOL</b>	<b>MAXIMUM OF SEVEN BOARD MEMBERS/SOE AT PROPOSED FEES</b>	<b>TOTAL POTENTIAL REDUCTION IN COST TO GOL</b>
<b>\$907,204</b>	<b>\$734,500</b>	<b>\$172,704</b>	<b>\$584,747</b>	<b>\$322,457</b>

We encourage the Cabinet to consider these actions as a prudent way of increasing Board effectiveness and reducing costs.



## SECTION V: PROPOSED SENIOR MANAGEMENT COMPENSATION FOR THE SOE'S

The basis for the senior management compensation structure is as follows:

- Using the recent CSA study<sup>9</sup> on market compensation in Liberia, establish **\$3,206** as the median base salary for **managing director** equivalent positions in the general marketplace in 2008.
- For 2010, raise this to **\$3,850** as new market mid-point to account for inflation.
- Applying this figure to the 4- tier structure, use multiples at the 70%, 90%, 110% and 130% level to determine the mid-point for each tier. While these percentages may be adjusted, the differential between the tiers should be maintained.
- Apply .8-1.2x multiple for the range of starting salary to upper limit salary based on **performance**.
- Place a cap on housing allowances, updated annually.
- Place a cap on additional allowances at 15% of base salary.
- Eliminate payment to the MD for his/her role as Secretary to the Board. This should be part of the compensation received for general management duties and does not follow international practice. In some instances, modification of the existing founding legislation may be required (See discussion above regarding proposed omnibus SOE Reform Bill). Such an action would save an estimated \$88,000 per year in SOE management costs.

**Chart 11: Proposed SOE Managing Director Compensation**

SOE'S	BASE SALARY MID-POINT/MO.	RANGES (.8-1.2 X)	HOUSING MARKET RATES UPDATED ANNUALLY WITH CAP	ALLOWANCES @15%MAXIMUM OF MID-POINT	TOTAL MID-POINT COMPENSATION
LPMC, NHA	\$2,695	\$2,156-\$3,234	same	\$404	\$3,099
LAA, LBS, Libetelco, NTA	\$3,465	\$2,772-\$4,158	same	\$520	\$3,985
LEC, FDA, LWSC	\$4,235	\$3,388-\$5,082	same	\$635	\$4,870
LPRC, NASSCORP, NPA	\$5,005	\$4,004-\$6,006	same	\$751	\$5,756

<sup>9</sup> Medium Term Pay Strategy, Final Report, December 2009, p. 37.

## **IMPLEMENTING AND UPDATING:**

- Newly appointed MD's and other senior managers begin at lowest level and receive salary increases based on performance.
- DMD and comparable positions receive 70%-75% of MD compensation.
- New ranges are established every two years based on market salary surveys conducted by CSA or other designated government entity. Individuals within the range can therefore increase their salaries either by exhibiting a high level of performance and being awarded an increase, or when the ranges themselves are adjusted, based on market information that includes cost of living.

If current salaries are at the maximum or above the range in a given tier of an SOE, the salary is not necessarily reduced, but **“frozen”** until the range changes. In several instances where the existing salaries for managing director and other senior managers are far beyond the maximum, 30% for more for example, Boards should be encouraged to review the compensation for consistency and affordability.

## SECTION VI: PROPOSED COMPENSATION GUIDELINES AND DISCUSSION FOR REGULATORY BODIES

There are two fully functioning regulatory bodies that are part of this plan—the Liberia Telecommunications Agency (LTA) and the Bureau of Maritime Affairs (BMA). However, as Chart 12 indicates, only basic salary level information was obtainable for LTA. Additional information including an annual report, strategic plan, performance indicators and enabling legislation was submitted. The chair and one other commissioner attended the May 11 Stakeholders Workshop and two meetings were held to discuss compensation issues, but no further specific current compensation figures were submitted.

BMA, as noted below, submitted neither compensation nor any other kind of information at all. We did obtain a copy of the annual report from their website. However, no response came from the letter sent to the BMA Commissioner, nor any from follow-up phone calls.

**Chart 12: Current Regulatory Agency Compensation—Commissioners**

ACRONYM	NUMBER OF COMMISSIONERS	MONTHLY COMPENSATION PER COMMISSIONER	MONTHLY COMPENSATION CHAIRPERSON	ALLOWANCES	TOTAL ANNUAL SALARIES
LTA	5	\$10,000	\$12,500	?	\$630,000
BMA	1	?		?	
					\$630,000

What is apparent from the reactions of the two bodies is:

1. They do not consider themselves part of the SOE group of government organizations and should have separate compensation schemes.
2. They define themselves as full-time regulators, more autonomous than SOE Board members, with the right to much higher compensation levels.
3. They recognize that the higher compensation may cause “PR problems” with the public at large and shun publicity regarding compensation information.

In general, compensation for regulatory bodies at the commissioner, or senior regulator level is determined in one of two ways. The salary is linked to the civil service pay system at a Senior Executive Service (SES) level, frequently based on the salaries of legislators. For example, commissioners at the Federal Communications Commission (FCC), the LTA U.S. counterpart, are paid this way.

Alternatively, salaries are determined by the responsible Minister with a cabinet level or senior government executive review. High level qualifications, difficulty of attracting qualified candidates (especially in developing countries) and the complexity of job requirements, are considered when determining compensation levels. In short, this latter method resembles hiring for a private sector organization, with “pay packages” much more generous than SOE’s.

This latter approach was used in the case of LTA with, according to their Board members, explicit approval by the President, over the LTA budget as a whole and commissioner salaries and allowances in particular. **We believe that this is an appropriate method for determining regulatory body compensation in Liberia, so long as an upper limit is established for all bodies and published by the**

**GOL.** As a benchmark, the LTA figure of \$10,000/month per commissioner and \$12,500/month per Chairperson can serve as such a limit, with an accompanying limit on allowances, e.g. 15% plus housing. Unless other regulatory bodies are perceived to demand an even greater level of competency than that demonstrated by the LTA commissioners, such amounts should constitute the highest amount paid to full-time regulatory commissioners. It should be added that LTA contributed \$12 million dollars to the GOL Treasury in 2009 from its collection of fees and other revenue. So there can be a significant return on paying higher salaries.

We propose that FDA and LAA, if they move to a full-time commissioner structure, should submit their budgets to the President or her designee, for complete reviews before finalizing salaries and allowances, and that the above benchmark be used.

For BMA, we recommend a review by the President, or her designee, of the current commissioner and senior management salaries and allowances to see how they fall in relation to the proposed benchmark, and publishing of the results. In all cases, for SOE's and regulatory bodies alike, only full public disclosure of salaries and allowances will remove the culture of opaqueness that surrounds these institutions.

## **SECTION VII: ADDITIONAL GENERAL RECOMMENDATIONS REGARDING COMPENSATION AND MONITORING AND EVALUATION OF SOE PERFORMANCE**

Note: Many of these recommendations are similar to, or replicate, the recommendations of Juliet McKee, IBI Consultant and Board Trainer for SOE's for the LIBAM project.

1. Create an omnibus SOE Reform Act which supersedes existing legislation.
2. In the same act include provisions for annual reports with audited financial statements, set of generic board qualifications, board meeting attendance requirements, and adherence to international standards of governance
3. Implement the revised Board compensation plan upon approval of the Cabinet and President. Review the compensation levels in two years or less with a view to removing statutory board members entirely.
4. Strengthen the role of the Bureau of State Enterprises (BSE) as the SOE monitoring and evaluation unit of the GOL. Provide technical assistance through a donor agency to improve the financial, legal and IT capacities of the BSE. Enable it to collect data necessary for the preparation of annual/periodic reports on the state enterprise sector summarizing activities, performance, trends and problems. Firmly request that SOE's submit quarterly reports to BSE measuring progress against goals and targets specified in strategic plans. Require the BSE to make available to the public annual reports of each SOE, changes in board membership and similar useful information.
5. In 2012, the BSE will re-assess all SOE's according to the criteria used to assign them to the four tiers. Also review Board and senior management compensation levels. Continue to keep statutory Board compensation at low levels, or eliminate them entirely. For senior management, base any adjustments on market data.
6. Insist that SOE's and regulatory bodies publish compensation for Board members and senior management in their annual reports.





## **APPENDIX I: INFORMATION REQUESTED FROM SOE'S**

1. annual report, financial statements, enabling legislation
2. number of employees
3. compensation information for Board members, including allowances
4. compensation of three top most senior managers—managing director (MD), deputy director (DMD) or comparable title, including allowances
5. strategic plan, performance indicators, performance evaluation system (if they exist)
6. Remuneration committee, board member qualifications, publication of compensation information in annual report, frequency of board meetings



## APPENDIX II: REVENUE VERSUS ASSETS

Revenue \$ →	0-100k	100k-200k	200k-400k	400k-600k	600k-700k	700k-800k	800k-900k	900k-1m	1m-2m	2m-3.5m	3.5m-5m	5m-6.5m	6.5m-9m	9m-11m	11m-12m	>12m
<b>Assets \$ ↓</b>																
0-100k	1	2	2													
100k-200k	1	2	3	3												
200k-400k	2	2	3	4	4											
400k-600k		3	3	4	5	5										
600k-800k			4	4	5	6	6									
800k-900k				5	5	6	7	7								
900k-1m					6	6	7	8	8							
1m-1.5m						7	7	8	9	9						
1.5-2m							8	8	9	10	10					
2m-3m								9	9	10	11	11				
3m-5m									10	10	11	12	12			
5m-7m										11	11	12	13	13		
7m-8.5m											12	12	13	14	14	
8.5m-9m	SOE Size :	1-7 is a small organization (D)										13	13	14	15	15
>9m		8-10 is a medium organization (C)											14	14	15	16
		11-12 is a large organization (B)												15	15	16
		13-16 is very large organization (A)													16	16



### APPENDIX III: PROFIT VERSUS REVENUE

Profit \$ →	0	0	0	0	0	0	0	0	>0- 100k	100k- 300k	300k- 600k	600k- 1m	1m- 2m	2m- 3m	3m- 5m	>5m
Revenue \$ ↓																
0-100k	1	2	2													
100k-200k	1	2	3	3												
200k-400k	2	2	3	4	4											
400k-600k		3	3	4	5	5										
600k-700k			4	4	5	6	6									
700k-800k				5	5	6	7	7								
800k-900k					6	6	7	8	9							
900k-1m						7	7	8	9	9						
1m-2m							8	8	9	10	10					
2m-3.5m								8	9	10	11	11				
3.5m-5m									10	10	11	12	12			
5m-6.5m										11	11	12	13	13		
6.5-9m											12	12	13	14	14	
9m-11m	Profit		1-8 is a no profit organization (H)													
11m-12m			9-10 is a low profit organization (G)													
>12m			11-12 is a medium profit organization (F)													
			13-16 is large profit organization (E)													



## APPENDIX IV: NUMBER OF PERSONS SERVED BY NON-COMMERCIAL SOE'S

SOE	NUMBER SERVED	SOURCE/CALCULATION
LBS	N/A	Lowest score given
LEC	62,456	Extrapolated from different types of customers listed in annual report
NHA	10,990	1570 housing units @7 persons/unit
NTA	4,061	Annual revenue divided by passenger cost divided by 10 rides per year
NASSCORP	68,271	Beneficiaries in annual report
LWSC	278,750	25% of population in Monrovia, Kakata and Tubmanburg





## APPENDIX V: NUMBER OF EMPLOYEES AT SOE'S

SOE	Number of Employees
NPA	665
LAA	408
FDA	312
NASSCORP	286
NTA	284
LPRC	243
LEC	235
LBS	143
Libtelco	139
LWSC	134
NHA	102
LPMC	56
NOCAL	29



## APPENDIX VI: CRITERIA WORKSHEET

CRITERIA (%)	MEASURES
Revenue versus Assets (50 %)	A=50, B=40, C=30, D=20
Profit versus Revenue (15%)	E=15, F=11.25, G=7.5, H=3.75
Number of employees (5%)	1= <100 2=101-200 3=201-300 4=301-400 5=>400
<b>Organizational Effectiveness (15%)</b>	
1. strategic plan (0-3.75) 2. performance indicators (0-3.75) 3. staff performance evaluation system (0-3.75) 4. timely, accurate financial reports (0-3.75)	0=doesn't exist 1=exists but more than 2 years old / needs revision 2= < 2years old, incomplete and/or review indicates needs improvement or not implemented 3 and above =<1 year old, complete, review rates quality level up to maximum
<b>Governance (15%)</b>	
1. Board member qualifications (0-3) 2. Remuneration Committee (0-3) 3. Annual Report including compensation of Board and senior management and audited financial statements (0-3)	0=doesn't exist 1=exists but more than 2 years old/ needs revision 2= <2years old, incomplete and/or review indicates needs improvement 3 =<1 year old, complete
4. Frequency of board meetings to fulfill tasks and responsibilities. (0-6)	0=less than once per quarter 2=once per quarter 4=2-3 per quarter 6=4 or more per quarter



## **APPENDIX VII: SOE'S BOARD OF DIRECTORS MEETINGS SCHEDULE**

Weekly .....NTA, LTA, LTC

Monthly.....FDA, LEC, LPMC, LPRC, LWSC, NHA, NPA, LAA

Quarterly .....LBS, NASSCORP, NOCAL



## APPENDIX VIII: SCORE SHEET RESULTS FOR SOE'S

SOE	ASSESSMENT SCORE (OUT OF 100)	TIER LEVEL
NPA	81	IV= +1 standard deviation(72.7) or above
NASSCORP	74.25	
LPRC	74	
FDA	66.75	III= +.50 standard deviation (64.5) to +1 standard deviation (72.7)
LEC	65.5	
LWSC	65	
Libtelco	47.75	II= -.5 standard deviation (48.1) to -1 standard deviation (39.9)
LAA	45.5	
NTA	42.75	
LBS	40.75	
NHA	38.5	I = -1 standard deviation (39.9) or below
LPMC	33.75	
NOCAL	N/A	Mean= 56.3 Standard deviation = 16.4





# **APPENDIX IX: BOARD MEMBER RESPONSIBILITIES, SKILLS, COMPETENCIES AND SPECIFIC TASKS**

## **1. Key Responsibilities**

- Contribute fully to the effective governance of the SOE and always act in the interests of the company
- Use skill, experience, and judgment to ensure the successful performance of the SOE in both the medium and long-term, recognizing the financial and social imperatives of a state owned enterprise
- Ensure the SOE complies with all relevant legislation, regulations, codes and reporting requirements
- Accept collective responsibility in the board room, respect confidential information and declare all conflicts of interest

## **2. Skills and Abilities Required**

- Well-developed strategic thinking skills
- Well-developed financial literacy skills
- An understanding of the legislative framework and the importance of compliance
- Excellent writing skills
- Excellent verbal communication to contribute to debate in an informed and constructive manner and to communicate feedback to management in a clear and logical style
- The ability to analyze and absorb large amounts of information
- The ability to think independently while working collaboratively
- The ability to recognize innovation and evaluate opportunities
- The courage to stand back and ask difficult questions
- An understanding of risk management concepts and practices

## **3. Experience**

- Relevant business experience
- Relevant sector experience
- A track record of achievement in the board member's own chosen profession

## **4. Personal Attributes**

- Objectivity
- Integrity
- Honesty
- Diligence

- Commitment
- Ethical behavior at all times

## **5. Key Competencies Required For an SOE Board Member**

- Knowledge of the industry sector and strategic direction:
  - An understanding of the specific environment in which the SOE operates
  - An understanding of the enterprise's strategy and the importance of timely implementation to reach strategic goals, together with an understanding of the part the management team plays in implementing the strategy
  - Knowledge of the SOE's strengths and weaknesses and the industry's opportunities and threats to provide context for the financial data
- Knowledge of corporate governance, the board and the board's role:
  - An understanding of individual member's governance roles and responsibilities, accountabilities and liabilities
  - A knowledge of best practice principles associated with good corporate governance and organizational management
- Analytical and technical skills:
  - Financial acumen, the ability to read and interpret financial reports
  - Intellectual capacity to read, understand and analyze management reports, relevant literature and legislation
- Decision making and communication skills:
  - The ability to recognize and counter any „group think' tendencies and decision-making biases in board discussions
  - The ability to make decisions and seek high-quality outcomes through the consistent application of logical step-by-step decision-making processes
  - The courage to think independently and clearly articulate personal views, even in the face of opposition, undue pressure and threat
  - The ability to maintain an open mind, absorbing and analyzing large quantities of information, valuing the opinions of others, and building on the best available information to develop innovative solutions and strategies

## **6. Personal Style**

- Tolerance, retaining a constructive outlook, even when the Board is unable to resolve an issue or reach a conclusion, and willing to make risk-adjusted decisions when outcomes are uncertain
- Wisdom, at all times, exercising effective judgment, applying common sense, reason, knowledge and experience to reach a conclusion to ensure decisions that balance risk and reward
- Integrity, acting and speaking at all times with openness, consistency and intellectual honesty

- Self-awareness, recognizing and managing own personal strengths and weaknesses as well as the strengths and weaknesses of others
- Innovative, approaching issues with an open mind, looking for possible trends, patterns and relationships which may not be immediately apparent in the information provided
- Diligence and commitment at all times, representing the SOE with dignity, showing high ethical standards of conduct both in and outside the board room

## **SPECIFIC TASKS FOR SOE BOARD MEMBERS**

### **1. Strategy**

- Understand and evaluate strategic plans and reports presented by management
- Oversee the development of the SOE’s strategic plan and obtain management updates on developments affecting the implementation of the strategy. It is not a board member’s job to be directly involved in the management process and day-to-day operational detail.

### **2. Financial Management**

- Monitor the enterprise’s financial performance and ensure financial reports are timely, accurate and fair
- Identify, understand and validate the underlying assumptions on which the decisions of both management and fellow board members are made

### **3. Legal Compliance**

- Ensure at all times that the SOE complies with all legislation, regulations and codes
- Ensure the Annual Report is prepared within three months of the end of the financial year including audited financial statements.

### **4. Management Performance**

- Select, hire and evaluate top management
- Establish and maintain a process that ensures that the enterprise is managed effectively, both on a day-to-day basis and for the longer term. The process by which board members select and monitor the performance of senior management must be based on sound, objective criteria, and must be totally without prejudice or bias.
- Set compensation for top management and develop a compensation strategy that will ensure that the enterprise is well managed in the interests of all relevant stakeholders
- Develop an effective succession plan for the senior management team of the enterprise

### **5. Risk Management**

- Prioritize and manage the relevant risks facing the enterprise
- Establish a logical process for identifying the relevant risks based on an understanding of the enterprise and the sector in which it operates
- Determine an acceptable relationship between risk and possible reward to be used to guide the board members’ decision-making process
- Ensure that the enterprise operates within the appropriate level of risk by:

- identifying risks and appropriate risk management strategies
- monitoring the situation to ensure that the strategies remain relevant

## **6. Effective Board Meetings**

- Contribute wisely to an effective and efficient board meeting process
- Promote efficient decision-making based on clear, consistent and honest communication
- Foster reasoned debate and encourage the exercise of sound judgment
- Be sensitive to „group think’ decision-making and poor quality decisions made because „that’s the way we’ve always done it’.
- Prepare thoroughly, reading all papers provided by the management team and attend all board meetings
- Keep up to date with developments in the sector and the economy to provide a context for wise decision making
- Ensure board papers and minutes are circulated and read in a timely manner
- Confirm the Register of Interests is up to date at all times
- Participate in evaluating board effectiveness annually

## **APPENDIX X: MANAGING DIRECTOR RESPONSIBILITIES, SKILLS, COMPETENCIES AND SPECIFIC TASKS**

**Note:** Many of the items listed here resemble those listed for Board Members. Additional emphasis is placed on the direct, day-to-day operational management of the enterprise.

### **1. Key Responsibilities**

- To develop and direct implementation of the business strategy of the SOE
- To plan and direct the SOE’s activities to achieve stated goals and objectives for financial and business performance in accordance with the enabling legislation
- To develop and maintain an organizational culture, set of values and reputation in its markets, with staff, customers, suppliers and government officials

### **2. Skills and Abilities Required**

- Well-developed strategic thinking skills
- Well-developed financial literacy skills
- Excellent written and verbal communication skills
- Exceptional interpersonal, influencing and negotiating skills
- The ability to analyse and absorb large amounts of information
- The ability to think independently while working collaboratively
- The ability to recognise and evaluate opportunities
- The ability to stand back and ask difficult questions
- An understanding of risk management concepts and practices

### **3. Experience**

- A demonstrated track record as managing director or senior manager in the upper levels of a business or other complex organization, preferably in the same or similar sector
- A respected professional with hands-on knowledge of managing day-to-day operations usually acquired through years of experience at lower and middle level positions
- College graduate, ideally in a field related to the sector of the enterprise

### **4. Additional Personal Attributes:**

- Objectivity
- Integrity
- Honesty
- Diligence
- Commitment
- Ethical behavior at all times

## **5. Key Competencies Required For a Managing Director**

- Knowledge of the industry sector and strategic direction:
  - An understanding of the specific environment in which the SOE operates
  - An understanding of the enterprise's strategy and the importance of timely implementation to reach strategic goals, together with an understanding of the respective roles the Board and management play in implementing the strategy
  - Knowledge of the SOE's strengths and weaknesses and the industry's opportunities and threats to provide context for the financial data
- Demonstrated knowledge of management skills
  - A thorough understand of best management practices including defining organizational and individual goals, developing a team, evaluating and rewarding performance and motivating staff for improved productivity
  - The ability to manage all levels of staff and instill an organizational pride and identity for all employees
- Analytical and technical skills:
  - Financial acumen, the ability to create, read and interpret financial reports
  - Intellectual capacity to create and analyze management reports, relevant literature and legislation
- Decision making and communication skills:
  - The ability to recognize and counter any „group think' tendencies and decision-making biases in board discussions
  - The ability to make decisions and seek high-quality outcomes through the consistent application of logical step-by-step decision-making processes
  - The courage to think independently and clearly articulate personal views, even in the face of opposition, undue pressure and threat
  - The ability to maintain an open mind, absorbing and analyzing large quantities of information, valuing the opinions of others, and building on the best available information to develop innovative solutions and strategies

## **6. Personal Style**

- Tolerance, retaining a constructive outlook, even when the Board and/or staff is unable to resolve an issue or solve a problem, and willing to make risk-adjusted decisions when outcomes are uncertain
- Wisdom, at all times, exercising effective judgment, applying common sense, reason, knowledge and experience to reach a conclusion to ensure decisions that balance risk and reward
- Integrity, acting and speaking at all times with openness, consistency and intellectual honesty
- Self-awareness, recognizing and managing own personal strengths and weaknesses as well as the strengths and weaknesses of others

- Innovative, approaching issues with an open mind, looking for possible trends, patterns and relationships which may not be immediately apparent in the information provided
- Diligence and commitment at all times, representing the SOE with dignity, showing high ethical standards of conduct both in and outside the workplace

## **SPECIFIC TASKS FOR AN SOE MANAGING DIRECTOR**

### **1. Strategic Planning**

- Collaborates with the board to define and articulate the organization’s vision and to develop strategies for achieving that vision.
- Creates annual operating plans that support strategic direction set by the board and submits to the board for approval.
- Develops and monitors strategies for ensuring the long-term financial viability of the organization.
- Develops future leadership within the organization

### **2. General Management**

- Oversees the operations of the organization and manages its compliance with legal and regulatory requirements.
- Ensures that the day-to-day operations of the organization are implemented within the framework agreed to by the Board.
- Reviews and evaluates procedures for implementing plans of senior managers and units within the organization in support of strategic plan.
- Promotes a culture that reflects the organization’s values, encourages good performance, and rewards productivity.
- Ensures that staff and board have sufficient and up-to-date information.
- Evaluates the organization’s and the staff’s performance on a regular basis.
- Ensures that risks are being managed through a risk management framework and appropriate insurances are in place reviewed periodically.

### **3. Financial Management**

- Oversees staff in developing annual budgets that support operating plans and submits budgets for board approval.
- Manages the organization’s resources within budget guidelines and in accordance with current laws and regulations.
- Provides prompt, thorough, and accurate information to keep the board appropriately informed of the organization’s financial position.
- Ensure that all financial and non financial reporting requirements are met on a timely and regular basis.

#### **4. Human Resource Management**

- Manages recruitment and hiring of company employees and contract staff.
- Promotes and organizes employee training and development activities
- Supervises employee relations
- Develops and monitors performance management and improvement systems
- Ensures compliance with labor regulatory requirements and reporting

#### **5. External Relations**

- Serves as the primary spokesperson and representative for the organization.
- Assures that the organization and its mission, programs, and services are consistently presented in a strong, positive image to relevant stakeholders.
- Actively advocates for the organization, its beliefs, and its programmatic efforts.
- Provide advice and assistance to the Government of Liberia and, as required, prepare and submit reports and recommendations on the performance of the organization, and its role in the national economy

#### **6. Corporate Governance**

- Supports operations and administration of Board by advising and informing Board members, interfacing between Board and staff, and supporting Board's evaluation of chief executive
- As Secretary to the Board, arranges meetings and agendas, and ensures efficient record keeping and thorough recording of all meeting minutes.
- Ensures that decisions made by the Board are properly and effectively implemented



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