



OFFICE OF THE PRESIDENT
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NAIROBI

9th May, 2008, 20

All Permanent Secretaries
(with enough copies for all Cabinet Ministers)

RECRUITMENT OF BOARD CHAIRMEN, BOARD MEMBERS AND CHIEF EXECUTIVE OFFICERS (CEOs) IN STATE CORPORATIONS.

Following the recent changes in Government, it is important that I bring to your attention and that of Honourable Ministers the existence of guidelines and circulars governing the appointment of Board Chairmen, Board Members and Chief Executive Officers of State Corporations.

(i) Guidelines on Terms and Conditions of Service in State Corporations

In November, 2004 the Government issued Guidelines on Terms and Conditions of Service for State Corporations' Chief Executive Officers, Chairmen and Board Members, Management staff and unionisable staff.

Since the adoption of these Guidelines by the Cabinet in 2004, we have witnessed a considerable improvement in the Management of State Corporations. However, some State Corporations still continue to perform poorly and remain a great burden and a financial drain on the exchequer. To sustain the improvement noted and turn round the non-performing ones, it is important that these Guidelines are strictly observed.

(ii) Appointment of Chief Executive Officers

In line with the Guidelines, Chief Executive Officers of State Corporations are selected competitively by the Boards themselves or through reputable recruitment agencies. In both cases the process should select the best three (3) candidates who will be recommended to the Minister for appointment of one of them.

(iii) Ongoing contracts for Chief Executive Officers (CEO's)

Under the Guidelines the running Contracts for the Chief Executive Officers (CEOs) are renewable on the basis of good performance determined through appraisal by the Board. A CEO's position will be declared vacant only if the Board does not intend to renew the contract or the CEO is not interested in renewal. In the event that there is intention on the part of the CEO to continue, then the procedure laid down in item 6 page 50 of the Guidelines will be followed by the Board.

It is also important that while the appointment of a new CEO is in process the serving CEO should proceed on terminal leave to allow for the advertisement and filling of the vacant position.

(iv) Appointment of Management Boards

Boards of Directors are appointed in accordance with section 6(1.) subsection (e) of the State Corporations Act Cap. 446. In all cases such appointments will take into account the following criteria:


- Competence and experience in either technical operations of the State Corporation, Management, Finance, Human Resources or law.
- Integrity and reputation.
- Equity in gender and regional distribution.

Adherence to these requirements will ensure the right mix of skills necessary for the effective stewardship of the respective State Corporation.

(v) Removal of the Boards

Where it is justifiable to remove a Board, a comprehensive report explaining the circumstances should be done to the President. This will facilitate the dissolution of the Board as provided for under the State Corporations Act Cap. 446 Section 7(3) which gives such powers to the President.

It is vital that the procedures spelt out above be followed regarding the affairs of state corporations under your ministry. Adequate copies of the Guidelines and relevant circulars are forwarded for each ministry. Please bring the Guidelines and Circulars to the attention of your Minister.


Amb. Francis K. Muthaura, EGN
PERMANENT SECRETARY, SECRETARY TO THE
CABINET AND HEAD OF PUBLIC SERVICE

Copy to: Mr. Hyslop Ipu, C.B.S
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