



OFFICE OF THE PRESIDENT

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No.QP..CAB.9/1A...

5th November, 2004

The Attorney General
All Permanent Secretaries
All Accounting Officers
The Controller and Auditor-General

GUIDELINES ON PROCEDURES FOR THE APPOINTMENT OF DIRECTORS, CHIEF EXECUTIVES AND MANAGERS OF STATE CORPORATIONS AND STATUTORY BOARDS.

Please refer to my letter Ref. No. OP.9/1A/VOL.17 dated 7th February 2003,
regarding the above matter.

Since issue of the guidelines conveyed vide the above letter on the
appointment of chairmen, directors and chief executives of state
corporations, the following further developments have taken place:

- (a) introduction of performance contracts in the management of State Corporations with effect from 1st October 2004 for pilot State Corporations and 1st July 2005 for all state corporations;
- (b) issue of Legal Notice No. 93, the *State Corporations (Performance Contracting) Regulations, 2004*;
- (c) issue of Guidelines for Drafting Performance Contracts for the year 2004-2005.

The above dispensations require inter alia, the following:

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- the Board of Directors of a State Corporation to "recruit staff including the Chief Executive Officer of the State Corporation" (Section 4(2) (b) of Legal Notice No.93).
- Chief Executive Officers and Managers of State Corporations to be recruited competitively.

It has accordingly been decided that the recruitment process for Chief Executive Officers, directors and managers of State Corporations should forthwith be carried out along the following lines:

(i) Chief Executives:

- Chief Executive Officers of State Corporations should be recruited competitively from the open labour market by the Boards of Directors in accordance with section 5(3) of the State Corporations Act, Cap. 446;
- the recruitment may be carried out through reputable recruitment agencies; in the event a State Corporation is unable to retain the services of a recruitment agency, the Board of Directors may carry out the process of competitive recruitment;
- the recruiting agency or the Board of Directors as the case may be, will be required to short-list the top three (3) candidates for each position. The names of the three candidates should subsequently be referred to the parent Ministry to select a suitable candidate for appointment in accordance with relevant statutes after due consultation within Government;
- in addition to their service contracts appointees will be required to sign performance contracts which will form the basis of completion, renewal or termination of their service contracts; and,
- Chief Executive Officers whose service contracts expire should be subjected to the above requirements.

(ii) Chairmen and Directors:

While chairmen and directors will continue to be appointed in accordance with Section 6 of the State Corporations Act, candidates will be required to have experience in any of the key areas covering management, finance, law, human resources and technical operations of the respective corporations.

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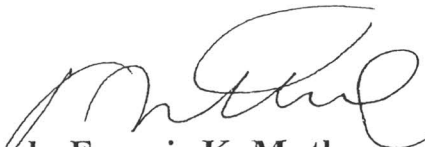
(iii) Heads of Department

Heads of Department in a State Corporation should be appointed competitively by the Board of Directors. The Board of Directors will ensure that these senior officers meet the minimum professional qualifications in the respective fields. For example, the head of the Finance Department should be a fully qualified Certified (Chartered) Public Accountant.

(iv) Terms and Conditions of Service

The terms and conditions of service for Chairmen, Directors, Chief Executives and employees of State Corporations will continue to be determined in accordance with Sections 10, 5 (3) and 27 (c) of the State Corporations Act.

You are accordingly required to ensure that the above requirements are observed forthwith.



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

Cc Mr. J.M. Otenyo, MBS
Inspector-General (Corporations)
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Mr. Richard O. Wa-Mwenje
Secretary
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