



Republic of Kenya

The Prime Minister

REF. NO. PMO/CIRC/(A)

1st April, 2011

The Vice President and Minister for Home Affairs

All Ministers

The Attorney General

All Permanent Secretaries/Accounting Officers

MANAGEMENT OF STATE CORPORATIONS

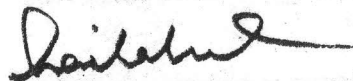
State Corporations are established as bodies corporate to perform, within stipulated broad policy guidelines, such functions as cannot be appropriately carried out by the Civil Service. This is intended to eliminate assumed inefficiencies and bureaucratic rigidities associated with mainstream civil service. This in effect necessitates that Boards of State Corporations are given the latitude and flexibility in making prompt decisions affecting their management operations.

Recognizing the responsibility bestowed upon this office of supervising and coordinating Government affairs, stakeholders have brought to my attention that a trend has emerged whereby Ministers are exercising their authority over State Corporations as if they were Departments of the Ministry. In this regard, Chief Executive Officers of State Corporations are briefing and/or receiving instructions directly from the Ministers thereby relegating the Board of Directors of State Corporations to the periphery in decision making.

This is tantamount to weakening the powers bestowed upon the Board of Directors by the law and relevant Government circulars. This in effect dilutes the accountability principle of the Board of Directors in the management of the affairs of a State Corporation as provided for under section 15 of the State Corporations Act, Cap. 446 of the Laws of Kenya. This situation makes it invalid for the Government to hold the Board of Directors accountable for their non-performance.

It has also been noted that Permanent Secretaries are directly engaging themselves in the routine management affairs of State Corporations by giving instructions to the Chief Executive Officers and/or Senior Managers of State Corporations. Such instructions from Permanent Secretaries do undermine the role of the Board of Directors in being wholly responsible for running of the State Corporations. Other than Permanent Secretaries being members of the Board of Directors in their respective State Corporations, their interaction with State Corporations should be limited to circumstances where they are conveying strategic policy decisions and directions of the Government.

In this regard, Ministers are required to respect and comply with the provisions of the existing laws and circulars governing the management of State Corporations and instruct their Permanent Secretaries appropriately for effective service delivery.



Rt. Hon. Raila A. Odinga, EGH, MP