



Republic of Kenya

**The Prime Minister**

**Ref. No. PMO/CIRC (A)/3**

**7th April, 2011**

All Chairmen

State Corporations

**THE ROLE OF CHAIRMEN IN STATE CORPORATIONS**

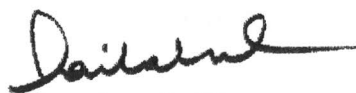
Government is concerned that State Corporations are not operating up to their maximum potential due to issues that can be addressed if the basic principles of good corporate governance are observed in their management. The principal person to ensure that this happens is the Chairman of the Board of Directors. All chairmen of State Corporations unless specified are non-executive. Their role is to ensure that the responsibilities of the Boards are well understood and upheld by both the Board members and management. They are responsible for ensuring that the Boards are properly organized, function effectively and meet their obligations and responsibilities. They lead Boards in monitoring and evaluating the Chief Executive Officers and in reviewing the management succession and development plans. The Chairman at all times is the image of the State Corporation.

Despite the provisions of the law and the various government circulars issued from time to time expounding on the responsibility and the relationship of the Chairmen of the Board of Directors and Chief Executive Officers of State Corporations, stakeholders have raised apprehension that adherence to this is minimal.

Concerns have also been raised at the manner in which Chairmen are involving themselves in the day to day management affairs of State Corporations by regularly interrelating and directing the Chief Executive Officers and/or Senior Managers. This in effect absolves the Chief Executive Officers from being accountable for any managerial inefficiency of the State Corporations. Further, this state of affairs does not ascertain a clear separation of responsibilities between the operations of the Boards and the Executive responsibility of the Chief Executive Officers for the running of the State Corporations' business.

The Chairmen and their board members are henceforth required to focus on the overall mandate of their State Corporations by granting sufficient thought to strategic and policy issues. The responsibility of the day to day management of the State Corporations and implementing the decisions and policies of the board vests with the Chief Executive Officers.

In order to promote good corporate governance and enhance service delivery, Chairmen are required to note the contents of this circular and further to comply with the provisions of the existing laws and circulars governing the management of State Corporations.



**Rt. Hon. Raila A. Odinga, E.G.H., M.P.**

c.c. The Vice President and Minister for Home Affairs

All Ministers