APPOINTMENT OF BOARD OF DIRECTORS TO STATE OWNED ENTERPRISES IN KENYA: TOWARDS A STRICTER REGULATORY FRAMEWORK

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ABSTRACT
State Owned Enterprises (SOEs) play a very important role in Kenya’s economy as they provide affordable services and employment to the citizens. As business entities, they need to be run efficiently and effectively by the Board of Directors (BOD). Being the most important management organ of A SOE, BOD should be composed of persons of integrity, appointed on merit, experienced and qualified with independent minds to make business decisions that are in the best interest of the corporation. The poor performance of a majority of SOE in Kenya is a testimony to the quality of the boards constituted.

It is in this context that the appointment procedure of board members should only allow those who are competent to join the board. Clearly too, this process is a very important indicator of how a SOE is likely to perform. The practice in Kenya since independence has been that the president or the line minister had the power under the state corporations Act to appoint persons to boards of SOEs. No guidelines existed for such appointments in terms of qualifications and relevant experience. The process was therefore subjected to executive control, leaving room for political affiliation, nepotism and tribalism as criteria for appointment to the board. This study examines how failure to incorporate good corporate governance in the appointment process of BOD, contributed to poor performance of SOEs.