

**FACTORS INFLUENCING IMPLEMENTATION OF PERFORMANCE  
CONTRACTS: A SURVEY OF THE FIVE MOST IMPROVED  
MINISTRIES IN KENYA**

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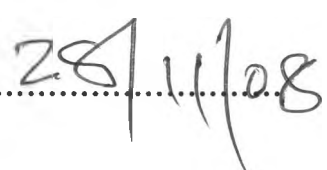
**NOVEMBER 2008**

## DECLARATION

I declare that this Management Research Project is my original work and has not been presented at any other university for a degree or any other academic award.

Lucy N. Kiruthu..........Date.....

This project has been submitted with my approval as University Supervisor.

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## DEDICATION

*This work is specially dedicated to my loving family; my husband, Felix and our sons, Gerry and Ryan for their love, care, support, encouragement and for pushing me to finish the work.*

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This study has been successfully completed due to support and assistance from several individuals whom I am greatly indebted to.

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## ABSTRACT

Current study sought to achieve the following objectives: establish the success factors that explain the significant improvement in the performance of the five ministries in the 2006/2007 performance contracts; establish possible challenges faced in the implementation of the performance contracts; and, determine the strategies used to deal with the challenges mentioned above.

The study adopted a descriptive study design. The study population was obtained from Ministries of Housing, Home Affairs, Health, Immigration and Registration of Persons, Justice and Constitutional Affairs. As per the Report on the Performance Evaluation of Public Agencies for Financial Year 2005/2006 (Office of the President, October, 2006), these ministries had performed dismally, ranking in the bottom fifteen (15) out of a total thirty four (34) government ministries/departments. In the 2006/2007 performance evaluation, the ministries improved dramatically and ranked in the top ten.

Primary data was collected by conducting interviews with two key officers involved in Performance Contracting from each of the ministries. The data collected was then analyzed using descriptive statistics and content analysis.

The research findings indicate that most civil servants embraced the concept of performance contracting and this was enhanced by a number of factors: Extensive training on Results Based Management (RBM) and Performance Contracting prior to the implementation of performance contracting, cascading the performance contracts to the level of Heads of Department, establishment of ministerial Secretariats/Committees, deployment of qualified staff in the Secretariats/Committees, provision of requisite resources, good communication, involvement of all the stakeholders in the process, strategic leadership and commitment to successful implementation of the targets that motivated the staff to undertake their responsibilities effectively. Finally, successful documentation of achievements enabled the ministries to support the activities that they had undertaken to achieve their targets.

Several challenges that affected smooth implementation of performance contracts were identified as insufficient time to undertake activities to meet the relevant targets, shortage of staff especially in the Ministerial Management Units (MMUs) and ministerial performance contracting secretariats due to unplanned and untimely transfer of officers who spearheaded the implementation process, inadequate resources or delay in their disbursement.

The strategies adopted to tackle the challenges included galvanizing support of top management to support the process; sensitization of staff with particular focus on performance contracting activities; working closely with the Performance Contracts Steering Committee Secretariat (PCSCS); development of strong monitoring and evaluation (M &E) systems, introduction of new management approaches like the Rapid Results Initiatives (RRI) to fast track implementation of some targets.

Arising from the findings, it has been concluded that performance contracting has made the civil service more focused and result oriented. It is recommended that modern management practices be further integrated with performance contracting for more efficiency.

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## LIST OF ABBREVIATIONS

CPPMU	Central Planning and Project Management Unit
CSR	Civil Service Reform Programme
CSRS	Civil Service Reform Secretariat
DPM	Directorate of Personnel Management
ERSWEC	Economic Recovery Strategy for Wealth and Employment Creation (2003-2007)
GIIs	Government Invested Institutions
GJLOS	Governance, Justice, Law and Order Sector
GOK	Government of Kenya
HFCK	Housing Finance Company of Kenya
KACC	Kenya Anti-Corruption Commission of Kenya
M & E	Monitoring and Evaluation
MOU	Memorandum of Understanding
NACCSC	National Anti-Corruption Campaigns Steering Committee
NHC	National Housing Corporation
NPM	New Public Management
OECD	Organization of Economic Cooperation and Development
PC	Performance Contract(ing)
PCSCS	Performance Contracts Steering Committee Secretariat
PSR	Public Service Reform
PSRP	Public Service Reform Secretariat
RRI	Rapid Results Initiative
RBM	Results Based Management

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background

Johnson, Scholes and Whittington (2005) postulate that “historical studies of the pattern of strategy development and change of organizations have shown that typically, organizations go through long periods of relative continuity during which established strategy remains largely unchanged or changes incrementally. This can go for considerable periods of time in some organizations. But these processes tend to create strategic drift where strategies progressively fail to address the strategic position of the organization and performance deteriorates. This is typically followed by a period of influx in which strategies change but in no clear direction. There may then be transformational change, in which there is a fundamental change in strategic direction.” This argument is basically true for many organizations, both private and public, in that the last fifteen years or so has been a time of worldwide economic pressures and widespread technological, social and political change. To secure their future, organizations have been forced to seek new ways to reduce their costs while at the same time, increasing their productivity and service focus. Consequently, in this environment of constant change and increasing complexity, new management thinking and approaches have emerged which identify the need for continuous learning and improvement (Jorm, Hunt, & Manning, 1996).

In particular, the public sector has long been subjected to criticisms for among others, inefficiency, red tape, lack of flexibility, ineffective accountability and poor performance. Such criticisms have paved way for public management reforms aimed at enhancing efficiency and effectiveness in public sector organizations. Such reforms are seen as an integral part of the “New Public Management” (NPM) that advocates the application of market logic within the public sector for solving the problems of big and inefficient governments (Siddiquee, 2006). This new paradigm for public sector reforms was more or less full blown by early 1990s and the experiences cut across the developed, developing and transition countries across the globe. The ultimate result expected from the reform measures was arguably, improved service delivery.

Kenya Government was not left behind in the NPM efforts. Responding to the challenges of public service delivery in late 1980s and early 1990s, Government introduced the first phase of the Civil Service Reform Programme (CSRP) from 1993-1998. Based on the experiences of this phase, the programme was redesigned and expanded to include the wider public service by including the Judiciary, Local Authorities and Parastatals (Oyugi, 2005). Reforms have since continued to be undertaken in the Public Service. What is important to note is that the launching of the current reform efforts in Government was necessitated by the need to address poor performance in the Public Service in spite of the many reforms undertaken since 1993. The major goal of these reforms is to make the public service more efficient, effective and ethical.

The success of the new wave of reform initiatives in Kenya is viewed to be dependent upon the successful implementation of the Results Based Management (RBM), which was introduced in 2004. Performance Contracting is one of the central planks in the institutionalization of RBM as well as performance management in the Public Service to respond to increasing pressure to deliver quality services, and improve efficiency and effectiveness.

The policy decision to introduce Performance Contracting in the management of the Public Service in Kenya was conveyed in the Economic Recovery Strategy for Wealth and Employment Creation (ERSWEC), 2003-2007 (Office of the President, 2007). The process of implementation began in October 2004 when sixteen pilot state corporations signed and implemented Performance Contracts. In the Financial year 2005/2006, all of the then thirty-five (35) ministries/departments, one hundred and sixteen (116) State Corporations and five (5) Local Authorities signed and implemented Performance Contracts. In 2006/2007, the second year of full-scale implementation of performance contracts in the Public Service, all Government Ministries/departments, State Corporations and Local Authorities signed and implemented Performance Contracts.

It is instructive that despite the fanfare with which the RBM and Performance Contracts were launched in the Public Service, their efficacy remains under evaluated. Thus, current study seeks to review the implementation of Performance Contracts in the Civil Service (ministries).

### **1.1.1 Factors Influencing Implementation of Performance Contracts**

Successful performance of different organizations is likely to be influenced by different factors and at different times. However, there are universal conventional factors that generally influence the performance of organizations.

Underlying organizational culture has a strong influence on the productivity and efficiency of an organization. Employee empowerment and autonomy are key cultural factors. When an organization establishes a culture of good performance, employees will at all times strive to maintain that culture because they don't want to be associated with failure.

Technical expertise is another key determinant. The ability of employees to perform well is grounded in good training and experience. Organizations spend colossal amounts of money to ensure that their employees have the requisite technical skills required for good performance. Today exposure to the sophistication on information systems is an added critical area in employees' performance.

The structural component of an organization is a bed rock to good performance as it offers the conducive environment. Good internal management systems of an organization therefore need to be strengthened if an organization sets to improve its productivity. Management of information system which provides data to support performance and outcome measures as well as monitoring of the performance is critical. Further, this component determines the operational efficiency of the organization. Timely utilization of resources, in particular, the financial resources has a lot to do with achievement of set goals and targets.

The strategic orientation of an organization determines its overall strategic direction and behaviour. Good leadership will certainly maximize value in an organization and hence, enhance efficiency. Such leadership ensures that good partnership, teamwork and linkages thrive for the success of the organization. This goes along with trust, open and good communication which are key elements in successful organizations

### **1.1.2 Evaluation of the Performance of Ministries and Departments**

In the Report on the Performance Evaluation of Public Agencies for Financial Year 2005/2006 (Office of the President, October, 2006), one hundred and sixteen (116) State Corporations and thirty-four (34) ministries/departments had their performance evaluated based on the Contracts they had signed in the Contract period. (Appendix 1 shows the ranking of ministries/departments in the financial year 2005/2006).

In the Report on Evaluation of the Performance of Public Agencies for the Financial Year, 2006/2007 (Office of the President, October 2007) a total of thirty-eight (38) Government Ministries/Departments, one hundred and twenty-four (124) State Corporations and all one hundred and seventy five (175) Local Authorities had their performance evaluated based on the Contracts they had signed. (Appendix 2 shows the ranking of ministries/departments in the financial year 2006/2007).

The Ministry of Housing, Office of the Vice President and Ministry of Home Affairs, Ministry of Health, Ministry of Immigration and Registration of Persons and, Ministry of Justice and Constitutional Affairs shot from bottom fifteen in 2005/2006 to top ten in 2006/2007. This drastic improvement calls for a thorough analysis to determine the factors that may have facilitated the improvement with a view to assisting other ministries/departments in the Civil Service to enhance their performance accordingly. The Ministries are reviewed here below.

The Ministry of Housing is strategic in facilitating development and management of quality and affordable housing for Kenyans (Ministry of Housing, 2007). The core functions as spelt out in the Presidential Circular No. 1/2008 of May, 2008 include;

housing policy, shelter and slum upgrading, development and promotion of low cost rental housing, building and construction technologies, national secretariat for human settlements, housing for civil servants and disciplined forces, civil servants housing scheme, management of government housing, leasing of public office accommodation, rent restriction tribunal, National Housing Corporation (NHC) and Housing Finance Company of Kenya Ltd (HFCK).

To undertake the above mandate and core functions, the Ministry operates through seven functional units. These are; General Administration and Planning, Department of Housing, Government Estates Department, Rent Restriction Tribunal Department, Kenya Slum Upgrading Programme, Civil Servants Housing Scheme and NHC – a commercial state corporation.

Presidential Circular No. 1/2008 of May 2008 spells out the following core functions for the Office of the President and Ministry of Home Affairs; Principal Assistant to the President, Leader of Government Business, Prisons and Remand Homes, Criminal Rehabilitation, Approved Schools, Betting Control and Licensing and Support to the people with disabilities and other vulnerable groups.

To undertake the above mandate and core functions the Ministry has three core departments, namely; Probation and Aftercare Services, Kenya Prisons Service and Betting Control and Licensing Board. Office of the Vice President and Ministry of Home Affairs (2008) identifies Divisions/Units/Sections that offer support services. These include: Administration, Finance, Human Resources Management, Human Resource Development, Central Planning, Projects and Monitoring, Accounts, Public Relations, Procurement, Information Communication and Technology, Vice President's Press Service, and Aids Control Unit.

Presidential Circular No. 1/2008 of May 2008 divided the now defunct Ministry of Health (during whose tenure the evaluation of Performance Contracts was undertaken) into two; Ministry of Medical Services and Ministry of Public Health and Sanitation.

Previously, the Ministry of Health was one of the giant ministries in Kenya with more than 35,000 personnel countrywide (Ministry of Health, 2006). The Ministry comprised of six main operational departments. Under these departments there were several divisions and sub-divisions in which integrated and high quality curative, preventive, promotive and rehabilitative health care services were provided. Among them were; Public Health and Sanitation, Medical Services, Curative and Rehabilitative, Preventive and Promotive Health Services, Standards and Regulatory and Administrative Support Services for Health Delivery.

Presidential Circular No. 1/2008 of May 2008 mandates the Ministry of State for Immigration and Registration of Persons to undertake the following core functions; Immigration Policy and Services, Lead Agency in Border Control Points Management, Registration of Persons, Registration of Births and Deaths, Refugees Policy and Services and Integrated Population Registration System (IPRS).

To undertake the functions the Ministry is divided into four main departments, namely, Immigration, National Registration and Bureau, Civil Registration and Refugee Affairs. The departments are further sub-divided into functional Divisions/Units/Sections for efficiency.

The Ministry of Justice and Constitutional Affairs is mandated to undertake the following core functions: legal policy, Policy on Administration of Justice, Policy on National Cohesion, Constitutional Affairs, Constitutional Review, Anti-corruption Strategies, Integrity and Ethics, Political Parties, Legal Aid and Advisory Services, Elections, Kenya Anti-Corruption Commission (KACC), Governance, Justice, Law and Order Sector Coordination, Human Rights and Social Justice, Truth, Justice and Reconciliation Commission, Kenya National Commission on Human Rights, Kenya law Reform Commission, Legal Education and the Kenya School of Law and Public Complaints Standing Committee (Ombudsman).



The 2004-2007 Strategic Plan of the Ministry identifies two core technical departments; The Legal Affairs and the Kenya Law Reform Commission, one support services department comprising of Administration, Central Planning, Monitoring and Projects, Human Resources Management, Human Resources Development, Finance, Accounts, Internal Audit, Information Communication and Technology, and Procurement. The Ministry also runs two programmes; Governance, Justice, Law and Order Sector (GJLOS) and the National Anti-Corruption Campaigns Steering Committee (NACCSC).

## **1.2 Statement of the Problem**

Evaluation of the public sector has for a long time been a daunting task. Smith (1990) posits that there are rarely absolute yardsticks by which to judge the performance of public sector organizations but adds that they can be determined with regard to existing performance. This implies that the success of performance indicators must rely heavily on comparative data. Typically this may involve comparisons from one year to another. Due to such challenges, Boland and Fowler (2000) assert that initially, attempts at evaluating public sector organizational performance centred on the assessment of value for money where external auditors thoroughly scrutinized agencies accounts. However, recently, the language of performance has been associated with the establishment of standards to be achieved and the audit of organizational systems to ensure conformance.

The introduction of performance contracting in the public service in Kenya has drawn great interest both in academia and practice. Several studies have been undertaken in the area. In her study, Kiboi (2006) looked at the management perceptions of performance contracting in state corporations but did not consider the factors or challenges that made some state corporations perform better than others. Njiru (2007) has looked at management of strategic change in the implementation of performance contracts in state corporations while Choke (2006) studied the perceived link between strategic planning and performance contracting in the Kenya state corporations. Others who have looked at the concept of performance contracting in Kenya include; Langat (2006) investigated the factors necessary for the design of good performance contracts for state corporations in Kenya, Othieno (2006) explored the process and experience of implementing

performance contracts in Kenya Power and Lighting Company, Korir (2006) surveyed the impact of performance contracting in East African Portland Cement, Odundo (2007) examined the extent to which Kenya Revenue Authority satisfied conditions for introducing and implementing performance contracts. Kobia and Mohammed (2006) have explored the Kenyan experience with performance contracting and highlighted general challenges of implementing performance contracts in Kenya.

Various authors have written in respect to challenges of implementing performance contracts in organizations. Othieno (2006) indicated resistance to change by employees and managers, change of existing performance culture and behaviour of employees as some of these challenges. Internalization of the concept of performance contracting, realistic yet stretching targets, training of employees on all aspects of performance contracting, lack of adequate resources, lack of articulate performance reward/penalty system, unclear targets, lack of autonomy and empowerment of employees to meet targets, lack of leadership, support and commitment by senior managers and irregular reviews at lower levels. Additional challenges include: Resources not being released on time, some performance targets are highly ambitious and unplanned transfer of staff (Kobia and Mohammed, 2006). Kobia and Mohammed have also suggested ways (as per respondents) of ensuring performance contracting is successful, for example; continuous training on performance contracts, allocation of adequate resources, development of a reward system for performers, enhancing salaries, teamwork as well as availing resources on time in that order.

Critical examination of the above studies reveals that one; a lot of interest was dedicated to state corporations that were the first to sign and implement performance contracts in the public service in Kenya. None of the studies has been dedicated to the core civil service. Second, the studies, which are descriptive in nature, have not sought to review the actual implementation of the performance contracts. The challenges identified to effective performance contracts were not directly related to the key focus areas of the study but emerged spontaneously. There is therefore, lack of adequate information on

implementation of performance contracts in the Kenya Civil Service which this study seeks to address.

In addition, Government of Kenya has invested a great deal of resources; finances, time, management intellect, etc in Public Sector Reforms (PSR) aimed at making the public sector more efficient, effective and ethical. Since the introduction of Performance Contracting in the Public Sector, a lot more of taxpayers' money has been invested yet, little has been invested in evaluating the effectiveness of these Government efforts.

In line with the foregoing and the need to address the perceived knowledge gap, this study sought to explore the following questions:

- (i) What factors made it possible for the Ministry of Housing, Office of the Vice President and Ministry of Home Affairs, Ministry of Health, Ministry of State for Immigration and Registration of Persons and Ministry of Justice and Constitutional Affairs to make remarkable improvement from bottom fifteen (15) in 2005/2006 performance evaluation to the top ten (10) in 2006/2007 evaluation?
- (ii) What are the challenges faced by these ministries during the implementation of the Contracts?
- (iii) How did the ministries overcome the above challenges?

### **1.3 Objectives of the Study**

The objectives of this study are to;

- (i) Establish the success factors that explain the significant improvement in the performance of the five ministries in the 2006/2007 performance contracts,
- (ii) Establish possible challenges faced in the implementation of the performance Contracts, and
- (iii) Determine the strategies used to deal with the challenges mentioned above.

#### **1.4 Importance of the Study**

The current study has wide implications for the core Civil Service and the academia as follows:

##### **(i) Public Service**

Based on the outcome of the research, the findings can be generalized and used to narrow the existing gap on the challenges experienced in the implementation of Performance Contracts both in the Civil Service and the wider Public Service.

##### **(ii) Academia**

As Boland and Fowler (2000) have noted, performance measurement in the public sector is at its infancy, having been firmly established following the managerial reforms of the 1980s and 1990s. Thus, little research has focused on evaluation of performance contracts as one of the measures, and more so, in the public sector in Kenya. The proposed study seeks to narrow this gap and its findings will provide a source for reference as well as a base for further research.

#### **1.5 Justification of the Study**

The study focuses on the performance of the ministries of Housing, Home Affairs, Health, Immigration and Registration of Persons and Justice and Constitutional Affairs. Their performance is the most dramatic in the two years since Government ministries/departments signed and implemented Performance Contracts and were evaluated on what they signed. In the first Contract year, the ministries registered very poor results while in the second year they recorded top level performance. On this basis, the proposed study is timely as it attempts to explore factors that lead to success in performance contracting in ministries.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1 An Overview of Public Service Reforms

NPM (also known as “reinventing Government”), is an ideology based on the assumption that the existing structures and policies of Government are the root cause of inefficiency and poor performance in the public sector. This is true of African countries that in the 1980s experienced poor economic performance as a result of decline of governance and quality of services (Oluwu, 2002) following weak systems and structures in Government. This necessitated the need for managerial and administrative reforms in the continent. Such reforms are inspired by or are parallel in the public administration reform experiences of other countries, industrialized, developing and transition across the five continents (Adamolekun and Kiragu 2001). Consequently, NPM sought to change the traditional rule-bound, process oriented administrative culture into a flexible, innovative, dynamic and result-oriented one that focuses on quality service delivery worldwide.

Public sector reforms were, therefore, essential in Africa. In sub-Saharan countries, there was added impetus for the reform programmes to focus more on service delivery improvement. Kiragu (2002) identifies five factors for this: the need to demonstrate results, public demands for transparency and accountability, the shift to market economies (capitalism) and private sector led economic growth, the influence of NPM as well as the need for public sector reforms to support sector wide approaches and pursuit of integrated systems approach. Oluwu (2002) recognized that for public services to improve, “the public must be more demanding in respect of the quality of services they enjoy, and they must pressure governments to develop mechanisms for monitoring the effectiveness of the services being developed by the various agencies”. Such demands for accountability and transparency were aggravated by the decline in resources available to governments especially in the face of rising expectations in the 1980s and 1990s. This has brought tremendous pressure on governments to ensure that they provide citizens (tax payers) with maximum possible value for their money.

As it were, the primary development goal of any country is to achieve broad-based, sustainable improvement in the standards of the quality of life for its citizens (Kobia and Mohammed, 2006). The public service is key to the functioning of a state economy. When the delivery of services is ineffective, it affects the quality of life of the people and the development of their country. In Kenya, the public service witnessed major challenges in delivery of services to the public in the late 1980s and early 1990s, among them, inadequate and incompetent human resources, poor work culture, topped with inadequate funds to implement policy priorities, core functions and essential services. Over the years, it became increasingly evident that the government was unable to sustain service delivery standards and was funding activities that were peripheral to its critical functions (DPM, 2001).

The Government responded to these challenges by formulating the Civil Service Reform Programme (CSRP) in 1993 with a view to improve public service delivery. The programme was to be implemented in three phases (DPM, 2001). The first phase (1993-1998) focused on cost containment, the second phase (1998-2001) focused on performance improvement and the third phase was to focus on refinement, consolidation and sustenance of reform gains.

As originally conceived, the objectives of Phase 1 were expressed in broad terms and included improving financial viability in the short and medium term, reversing the progressive decline in efficiency and productivity and strengthening capacity (Oyugi, 2005). Financial viability was to be improved through wage bill containment and subsequently, staff reduction and control measures, including voluntary early retirement of staff were implemented. However, benefits of this phase were not realized as initially envisaged. According to Kiragu and Mambo (2001) Public Service Reform started as conditionality among donor countries extending development grants or loans to African countries. Thus, introduction of reforms in the formative years was seen as an imposition upon the developing countries by the western world. It is no wonder then that many countries being unsure of the consequences of reform resorted to “pilot” reform measures such as ministerial rationalization without realization of desirable outcomes.

Thus, despite the initiatives undertaken in Phase 1, the quality of public service delivery deteriorated while staff reductions lacked the required impact of a downward push on the Government's wage bill (Oyugi). Subsequently, building on the experience gained under Phase 1, Government adopted the Civil Service Reform: Medium Term Strategy 1998-2001, a policy document that laid the basis for phase 2 of the Civil Service Reforms. The Strategy identified four components of reform in this phase. These are: Redefinition and Rationalizations of Government functions to concentrate available financial and human resources on the efficient and effective performance of a set of core functions and activities and to release such resources from the activities that could be phased out, commercialized, contracted out, privatized and otherwise divested; Pay and Benefits to recruit, retain and motivate competent civil servants from whom better performance would be demanded; Staffing and Management of the Wage Bill to retain only the staffing levels required to enable the Government to perform efficiently that which must be done by Government and thus to restrict the wage bill to an affordable level; and, Training and Capacity Building to improve the quality of public services not only through actions on management and pay but through training and personnel reforms. Broadly, the goal of this phase was to improve the performance of the Civil Service, thereby enabling it to contribute as fully as possible to the sustained economic and social development of Kenya. This phase called for implementation of civil service reforms within the broader context of the wider Public Service Reform Programme (PSRP).

Generally, the goal of the newly expanded PSRP was the restoration of a sector well equipped to play its pivotal role in national development (DPM, 2001). This followed a realization that mounting costs and low productivity in the public sector were a major impediment to economic growth and improved standards of living. Sustained economic growth and welfare provision demands that the public sector efficiently and effectively provides an enabling environment, infrastructure as well as necessary services. The objectives of the Public Sector Reforms (PSR) were to create smaller, affordable and effective public service, achieve greater transparency in the use of public resources, have competent and motivated workforce, enhance integrity in the public service, strengthen

the institutional and legal basis for combating corruption, create a more productive public service that concentrates public finances and human resources on the delivery of core Government services, and create private sector confidence in public policy and economic management (DPM,2001). To achieve these objectives, PSR focused on Civil Service Reforms, Financial Planning and Budgeting Reforms, Parastatal Reforms and Privatization, Local Authorities Reforms, Legal Sector and Judicial Reforms, Enhancing Integrity and Accountability and Information Technology.

Both of these Phases were faced with major challenges. While there was reduction in the size of the civil service of about 30%, it was noted that productivity and performance in the public service were not achieved (Kobia and Mohammed, 2006). Further reform initiatives targeting performance improvement and management in the public service were, therefore, required.

The ERSWEC recognized that “improving public administration is essential to economic recovery” and identified as a priority the need to “downsize the public sector and make it more efficient and investor friendly in order to promote private sector led growth and poverty reduction”. Among the elements of the Civil Service Reform strategy and activities envisaged for implementation in the policy document by June 2004 included; developing, introducing and institutionalizing performance based management practices in the Public Service and, putting all Permanent Secretaries and Chief Executives of Parastatals on Performance Contracts. The expected outcome was improved performance in delivery of services.

Further, the recently launched Kenya Vision 2030: A Globally Competitive and Prosperous Kenya, envisages a Public Service that is “citizen focused and results oriented”. The Vision takes cognizance of the fact that “Kenya is aware that countries that have achieved significant results in economic performance have also embraced results based management in the public sector” and therefore, Government commits to adopt the international best practices in the country’s reform agenda. The accomplishment of this reform is viewed to be dependent upon the successful



implementation of the RBM with performance contracting being one of the performance tools adopted in the institutionalization of RBM in the Public Service.

## **2.2 Performance Management in the Public Sector**

Armstrong (2000) defines performance management as a “strategic and integrated process that delivers sustained success to organizations by improving the performance of people who work in them and by developing the capabilities of individual contributors and teams”. He goes on and identifies the objectives of performance management at the heart of government reform agenda as: rationalization, in terms of size, cost and functions; introduction of more effective systems of financial accountability; greater transparency in the operation of these public institutions; upgrading of the skills base of the sector and the modernization of its functional principles, procedures and systems; and, the development of a realistic remuneration policy based on performance. Ortiz and Gorita (2004) view performance management as a systematic process by which an organization involves its staff, as individuals and members of a group, in improving organizational effectiveness in the accomplishment of its mandate and goals. Viewed this way, performance management is an integral part of a system of responsibility, authority and accountability.

Some authors refer to performance management by the term performance measurement. The distinction between performance measurement as an accountability tool and performance management as a steering instrument is not often made in the day-to-day use of performance measurement in public services (Greiling, 2006). However, the boom of performance measurement as a reporting as well as a steering instrument has been fostered by the introduction of a contract culture in the public sector. According to Jorm et al (1996), performance management approaches ensure that strategic directions are set, current organizational objectives identified, appropriate budget allocations made and tasks set for the achievement of desired results. This offers public services considerable promise to achieve reform initiatives that are aimed at the development of a result based performance culture. They have also identified several elements of a good performance management system that penetrate and impact on all aspects of the organization and its

people. It incorporates: Corporate strategic planning to define the long and short-term aims and value of a particular organization; Translation of these into operational plans for the organization and each division and work plans for each individual; Assessment and provision of training and other support in response to identified priorities; Development of appropriate measures of performance at the level of the organization, division and the individual; and, Regular review, adjustment, feedback and recognition of achievement.

Greiling (2005) adds that performance management is about assuring a greater likelihood for reaching desired outcomes by addressing issues that have to do with business process that is expected to generate the sought after results, the organizational and environmental contexts in which these process and outcomes take place.

McAdam, Hazlett and Casey (2005) observe that the current climate of change management and the associated pandemic of public sector reforms have resulted in many public organizations being now under seemingly relentless pressure from both internal and external sources. They need therefore to demonstrate that there have been improvements in performance and that goals and objectives are being achieved. This has made it imperative for effective management approaches to be developed and applied.

Verbeeten (2008) asserts that performance management practices can serve several political and managerial purposes: The definition of clear missions, objectives and targets help each employee understand what the organization wants and provides focus operations; By measuring performance with regard to the objectives and targets, politicians and public managers should be able to tell the public for what purposes their money is used (transparency and accountability purpose); Public sector organizations may use performance measurements to learn and improve performance (learning purpose); and, Performance measurement systems may provide the basis for compensation of public government officials (Appraisal purpose).

Hence, the public sector is now devoting more attention, time and money to performance management, measurement and evaluation than perhaps ever before. However, as

Heinrich (2002) notes, research on public sector performance management points to problems in the design and management of the systems and questions their effectiveness as policy tools for increasing governmental accountability. Further, McAdam et al. (2005) assert that developing performance management systems that incorporate measurement and evaluation in the public sector continues to be a key challenge with the reform agenda.

### **2.3 The Concept of Performance Contracting**

The definition of performance contracts remains a debate. There are as many definitions as there are scholars in the area. Performance contracting is a branch of management science referred to as Management Control Systems (Kobia and Mohammed, 2006). Shirley (1998) notes that performance contracts go for different names: contract plans, Memoranda of Understanding (MOUs), signaling system etc but have a common feature – all are negotiated. They are agreements between governments and managers of state enterprises that specify targets that management pledges to achieve in a given timeframe and define how performance will be measured at the end of a specified period.

Suresh Kumar (1994) defines performance contract as a Memoranda of Understanding (MOU). ‘MOU is rooted in an evaluation system, which not only looks at performance comprehensively but also ensures forces improvement of performance management and industries by making the autonomy and accountability aspect clearer and more transparent’. On the other hand, OECD (1999) defines performance as a range of management instruments used to define responsibility and expectations between parties to achieve mutually agreed results.

Jones, Trivedi and Mason are renowned gurus of performance management ([www.iadb.org/evo/roundtable/pc/htm](http://www.iadb.org/evo/roundtable/pc/htm) as at 21/8/2008). They refer to performance contracting as an approach of performance measurement that includes contract plans, performance indicators, signal systems, performance agreements, memoranda of understanding, etc. “It is a negotiated agreement between two (or more) parties, and is usually an integral part of performance measurement. It takes the form of a contract that

defines the role and responsibility of each party”. All these definitions show similarities and in particular, the elements of negotiation and agreement stand out.

According to Behn and Kant (1999), performance contracting is based on three assumptions: One, an effective way to get a contractor to help accomplish a specific public purpose is to pay that contractor only when he/she actually does something that contributes to achieving that purpose. Thus, a performance contract only pays for the production of specific results; second, there is no one best way or, certainly, no one best way for all times and all circumstances. And even if there was a separate best way for each circumstance and each time, people who are far removed from the actual delivery of service could not figure it out; and, finally, the best way to motivate the people who will implement the (one) way that will be employed is to let them design it. These implementers will be willing to devote the energy and intelligence necessary to make their own idea work.

Jones et al. (2008) postulate that by establishing the obligations and commitment on the part of two or more parties, performance contracts, help to create market-like conditions by establishing performance goals and as a consequence, help improve the efficiency of service delivery regardless of the sector. They add that a performance contract contributes to creating a result-oriented culture in the public sector and provides accountability and possible transparency. They see the initiatives of adopting performance contracts in public institutions as having been driven by changes in the political environment in terms of securing better value-for-money in public services, encouraging greater openness and accountability, and for service improvements in dealing with the general public and consumers.

Proponents of performance contracts in state enterprises argue that they can be written in ways that clarify multiple obligations, for which managers will be held accountable, and specify rewards and penalties (Shirley, 1998). Even where a government seeks to maximize social or political objectives, a performance contract can improve efficiency by setting appropriate targets.

Trivedi (2004) posits that performance agreements are an effective instrument for promoting a culture of accountability in the government. Performance agreements represent the culmination of a long tradition of the central role played by evaluation in public policy. Whether from theory or policy, the message is the same: What gets measured gets done – whatever is counted, counts.

As a whole, performance contracts can be used for setting clear goals of organization, determining priorities, setting targets, monitoring progress and designing incentive systems (Jones et al.2008). They can help the parties involved to translate vague intentions into specific goals, make the cost of achieving the objectives more apparent, thus, allowing a more rational consideration of cost and benefits. In addition, contracts can serve as the basis of a dialogue between contracting parties. Since they contain a mechanism for reviewing and analyzing the results of performance and providing feedback into future policy and strategy, performance contracts help establish the correlation between planning and implementation.

## **2.4 Implementation of Performance Contracts Worldwide**

Performance contracts originated in France as “contract plans” in the late 1960s to improve performance of state-owned enterprises. However, they lacked indicators and measurements and were therefore, ineffective, leading to modification and reprogramming (Jones et al.2008). In mid 1980s, Korea applied the contractual approach and developed the “signal system” that incorporated goals and incentives for guiding managers and administrators. The decision to introduce performance contracts was due to inefficient management and lack of capacity in Government Invested Institutions (GIIs) (DPM, 2004). In it, the national goals were translated into explicit and quantifiable targets in performance criteria. Introduction of performance contracts granted autonomy to GIIs to formulate their own budgets, identify and execute their own projects and issue bonds and raise capital through borrowing.

Since Korea’s implementation, performance contracts have been adopted by a number of countries, both developed and developing, in different forms and names. The name

“contract plan” is prominent in francophone African countries. In Asia, the performance contract concept has been used in Bangladesh, China, India, Korea, Pakistan and Sri Lanka. Pakistan uses the “signal system as in Korea, India uses “memorandum of understanding” (Kobia and Mohammed, 2006). China on the other hand uses “Letter of Management Responsibility” (DPM, 2004). In Africa, performance contracts have been used in selected enterprises in Benin, Burundi, Cameroon, Cape Verde, Congo, Cote d’Ivoire, Gabon, the Gambia, Ghana, Guinea, Madagascar, Mali, Mauritania, Morocco, Niger, Senegal, Togo, Tunisia and Zaire. In Latin America, they have been used at different times in Argentina, Brazil, Bolivia, Chile, Colombia, Mexico, Uruguay and Venezuela. Others are Malaysia, U.K., U.S.A., Canada, Denmark and Finland, among others (Kobia and Mohammed, 2006).

Study visits to Morocco, U.K., U.S.A., Korea, India and China by senior Government of Kenya officials to understudy the implementation of performance contracts in 2004 reveal the following (DPM, 2004): In Korea, performance contracts increase transparency and accountability and hence performance in public enterprises. This has led the public enterprises to contribute significantly to economic development and enhancement of service delivery and reduced reliance on exchequer; In India, MOUs focus on achievement of targets, set obligations and responsibilities for both public sector enterprises and the Government and provide for non-financial incentives. The MOUs have enhanced autonomy of public sector enterprises and have also contributed significantly to the Exchequer; In China, there are no rewards without sanctions. Poor performers have their salaries reduced or they are dismissed. The Letter of Management Responsibility cascades to lower levels of management, thus requiring all managers to work at peak performance in order to realize organizational goals; In Royal Kingdom of Morocco, performance contracting is said to be a success story owing to support of the highest political leadership; In the U.K. performance contracts have been successful as a result of support from top and goodwill of Government, openness of the system, autonomy of organizations, involvement of stakeholders, widely accepted inbuilt merit system, equitable and cost effective incentive/sanction system and effective mentoring and evaluation system; and, In the U.S.A., implementation of performance contracts is

viewed as a management process that requires a cultural setting within an organization. It is therefore, contextualized within the broader reform programme, as it invariably requires a cultural change in governance to make it work.

Generally speaking, implementation of performance contracts in most countries has been motivated by the need to improve performance, greater transparency and accountability, productivity reduce/eliminate reliance on the Exchequer and give autonomy to the organizations. While this has been achieved to a great extent, contrary evidence indicates that performance contracts do not always improve efficiency and effectiveness in organizations (Shirley, 1998). To improve efficiency and effectiveness, performance contracts must be used only where governments are politically prepared to make tough decisions and the contracts should be seen as part of the broader package of public sector reforms.

## **2.5 Implementation of Performance Contracts in Kenya**

Although public sector reforms were introduced in Kenya in August 1993 under the Civil Service Reform Secretariat (CSRS), it is the operationalization of the RBM approach in the Civil Service that injected fresh impetus to the performance indicator through performance contracting.

Government defines a performance contract as a management tool for measuring performance and as a freely negotiated performance agreement between the Government, acting as the owner of a government agency, and the agency itself. The Contract specifies the mutual performance obligations, intentions and responsibilities of the two parties. (DPM/Inspectorate of State Corporations, 2005)

The rationale for introducing performance contracts in the public service in Kenya was as a result of poor performance in the public sector, which hindered the realization of sustainable economic growth. Poor performance was as a result of excessive regulations and controls, frequent political interference, poor management, outright mismanagement and bloated staff establishments (DPM, 2005). Consequently, Government undertook

reform initiatives, which have progressively culminated into implementation of RBM and the resultant performance contracts in the Public Service.

According to DPM (2005), the concept of Performance Contracting in Kenya can be traced back to 1990 when Government, through Cabinet Memorandum No. CAB (90) 35 of 3<sup>rd</sup> May 1990 approved the introduction of performance contracts in the management of public agencies. In the early and mid-1990s a few state corporations, Kenya Railways, National Cereals and Produce Board, Kenya Airways, Mumias Sugar Company and the defunct Kenya Posts and Telecommunication Corporation attempted to develop variants of performance contracts. However, the implementation of the contracts failed due to lack of political goodwill, lack of performance incentive system and lack of provision for the impact of external factors such as GoK policy, inflation, exchange rate fluctuations that would have made evaluation fair (Kobia and Mohammed, 2006).

Re-introduction of performance contracts in Kenya was in January 2004, when Government directed that all Permanent Secretaries/Accounting Officers of Ministries/Departments and Chief Executives of State Corporations be placed on Performance Contracts by June 2004. This was in line with the Government policy commitment as contained in the ERSWEC (2003 -2007). On 1<sup>st</sup> October 2004 Performance Contracts were introduced in sixteen (16) largely commercial State Corporations on a pilot basis. In 2005/2006, all the then 35 Governments Ministries/Departments, 116 State Corporations and five pilot Local Authorities signed Performance Contracts and were evaluated in September 2006.

Within Government, public service reform and performance contracting is renowned for its vigorous attempts to instill discipline and hard work in public service and transform the institutions from a tax collection and public administration unit into result-oriented sector. The need for performance contracting arose to track and gauge the achievements of public institutions over a given time. It is apparent that the gains of the public service reforms and performance contracting in particular have begun to be realized. Hypothetical reports show that the initiatives of performance contracts have enhanced



efficiency and integrity in the delivery of services in the public sector as the country focuses on Vision 2030. This is supported by findings of Korir (2006) in his study on the impact of performance contracting in East African Portland Cement that indicated that about 90% of managers interviewed rated the organizations financial performance as excellent in the first and second year of the introduction of performance contracting. In her study, “Management Perception of Performance Contracting in State Corporations” in Kenya, Kiboi (2006) concludes that, as a result of performance contracting, the organizations have developed a reasonable sense of direction, a conviction that business cannot operate successfully without performance contracting and that state corporations attach much importance to performance contracts. According to her, organizational capacity to achieve their objectives has greatly improved since the introduction of performance contracts. The Government, therefore, looks up to the successful implementation of RBM and performance contracting as key to the achievement of Vision 2030. As a result, the need to appraise how the contracts are implemented in the public sector cannot be underscored.

The Report on Performance Evaluation of Public Agencies for Financial Year 2006/2007 (2007) identifies the following expected outcomes for Performance Contracts in Kenya: Improved efficiency in service delivery to the public by ensuring that holders of public service are held accountable for results; Improvement in performance and efficiency in resource utilization and ensuring that public resources are focused on attainment of the key national policy priorities; Institutionalization of a performance – oriented culture in the Public Service; Ability to measure and evaluate performance; Ability to link reward for work to measurable performance; Instilling accountability for results at all levels in the government; and, Reduction or elimination of reliance on Exchequer funding of public agencies.

According to Njiru (2007), Government views performance contracting as a useful vehicle for articulating clearer definitions of objectives and supporting new management monitoring and control methods, while at the same time leaving day to day management to the managers themselves. It is used as a management tool to help public sector

executives and policy makers to define responsibilities and expectations/targets between the contracting parties to achieve common mutually agreed goals (Kobia and Mohammed, 2006). By so doing, performance contracts address economic, social or other tasks that an agency has to discharge for economic performance or for other desired results. They also organize and define tasks so that management can perform them systemically, purposefully and with reasonable probability of accomplishment (Kiboi, 2006).

In implementing performance contracts in organizations, diverse challenges are likely to be experienced. Some of these may include; resistance to change by employees and managers, lack of adequate resources, unclear targets, lack of autonomy and empowerment of employees to meet targets and lack of leadership (Othieno 2006). Others are; resources not being released on time, highly ambitious targets, unplanned transfer of staff (Kobia and Mohammed, 2006).

Fundamentally, the above issues, among others, inhibit perfect implementation of performance contracts in the public service. Turning around the challenges is likely to lead to successful implementation of the contracts. Current study seeks to establish if some of the challenges and their possible solutions could have been applicable to the five ministries under study. It is important to note here that different factors in the different ministries may have contributed to the dramatic performance of the ministries and that they may have experienced different challenges.

Conclusively, Smith (1990) identifies five reasons why there might be a difference in the performance of two organizations in the public sector. First, he argues that the organizations might be pursuing different objectives; second, the areas being compared might have different needs. Even if objectives are identical, the resources needed to deliver a standard level of service might vary considerably. Thus, if national standards are to be satisfied, there may be legitimate variation between areas in the nature of the resources that they employ; third, the organizations might face different costs. Devolved public sector bodies do not in general have the option open to the private sector of

changing location, or indeed ceasing operations entirely. Services must instead be provided in spite of prevailing costs of labour and capital, which may vary considerably; fourth, the organizations might be using their resources with different levels of managerial competence and lastly there may be measurement difficulties, the data may be in error or the organizations may have been indulging in ‘creative accounting’, i.e. deliberately manipulating data to cast themselves in a favourable light. This list illustrates the difficulties there are in interpreting public performance in relation to indicators/targets.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Research Design**

This study is a descriptive survey. The design is appropriate as it seeks to describe phenomena, in this particular case, the success factors, challenges and strategies in the implementation of performance contracting in the civil service.

#### **3.2 Population of Study**

The population of study comprises of the five ministries of Housing, Home Affairs, Health, Immigration and Registration of Persons, Justice and Constitutional Affairs that made remarkable improvement in their performance in the financial year, 2006/2007.

#### **3.3 Data Collection**

Both primary and secondary data are used in this study. Secondary data sources include the ministries Strategic Plans, Service Charters and Work Plans as well as the Performance Contracts and Reports on Evaluation of the Performance of Public Agencies for the 2005/2006 and 2006/2007 financial years. Primary data was generated from responses to personal interviews conducted with two key officers (those involved in the process of performance contracting) from each of the ministries in the two-year period.

#### **3.4 Data Analysis**

Data were analyzed using descriptive statistics and content analysis to establish the factors that led to dramatic improvement of the five ministries within the years of study. Descriptive statistics enabled the researcher to summarize and organize data in an effective and meaningful way while content analysis assisted the researcher to appropriately organize (additional) data acquired during the interviews.

**CHAPTER FOUR**  
**DATA ANALYSIS, FINDINGS AND DISCUSSION**

Research findings on the factors influencing implementation of performance contracts in the Civil Service in Kenya are presented, discussed and interpreted in this chapter. The data was collected through interviews with ten senior officials of the five ministries under study.

**4.1 Embracing the Concept of Performance Contracting**

The interviewees were asked if their ministries had fully embraced the concept of performance contracting. If the answer was in the affirmative, they were required to explain.

From the responses obtained, 90% (nine out of ten) of the employees said that their ministries had embraced performance contracting while 10% said they had not. Table 4.1.1 below shows the actual numbers and percentages obtained from the respondents.

**Table 4.1.1 Embracing the Concept of Performance Contracting**

	Frequency	Percent	Cumulative Percent
Yes	9	90.0	90.0
No	1	10.0	100.0
Total	10	100.0	

The interviewees further explained that the ministerial performance contracts had been cascaded down to departmental level and that employees were involved right from the initial point of target setting to the end.

**4.2 Training on Performance Contracts before implementation in 2005**

Asked on whether they were trained on performance contracting before its implementation, 70% of the interviewees indicated that they had received prior training while 30% said they had not. Table 4.2.1 below summarizes the findings.

**Table 4.2.1 Training on Performance Contracts before implementation**

	Frequency	Percent	Cumulative Percent
Yes	7	70.0	70.0
No	3	30.0	100.0
Total	10	100.0	

The interviewees were further interrogated to find out the extent to which they were adequately prepared for the implementation of performance contracts. Of the ten interviewed, 10% felt they were highly prepared, 60% moderately prepared while 30% said they were poorly prepared. Table 4.2.2 below summarizes the responses.

**Table 4.2.2 Preparation for implementation of Performance Contracts**

	Frequency	Percent	Cumulative percent
Highly prepared	1	10	10
Moderately prepared	6	60	70
Poorly prepared	3	30	100
Total	10	100	

In their comments, the interviewees indicated that in some situations, training and sensitization of Government officers took place after the concept was already implemented. In other situations, only senior managers were trained. In addition, not all members of staff were effectively trained, hence creating gaps in smooth implementation of the Contracts. On the whole, they noted that capacity to steer the implementation of performance contracts was improved over the period by extensive and appropriate training of concerned staff. They also indicated that on-the-job training gave them experience to implement Contracts more effectively.

**4.3 Steering Performance Target setting in the Ministry**

The interviewees were asked to state whoever steers performance target setting in the ministries. Two sets of 50% each were of the view that on an equal basis, the top managers and the technical staff spearhead performance target setting in the ministries. Table 4.3.1 depicts the responses.

**Table 4.3.1 Steering Performance Target setting in the Ministry**

	Frequency	Percent	Cumulative Percent
Top Management	5	50.0	50.0
Technical Officers	5	50.0	100.0
Total	10	100.0	

When asked to explain on who steers targeting setting, the interviewees stated that both top management and technical officers were equally involved since ministry targets were aggregate targets of departments. In some situations, the targets emanate from provinces and districts. The Central Planning and Project Management Unit (CPPMU) was key in guiding the process of target setting.

**4.4 Adequacy of Performance Targets set for the Ministry**

The interviewees were asked to indicate the extent to which the ministry targets were adequate. 50% of those interviewed said that the targets set in the ministry were highly adequate while another 50% indicated that the targets were adequate. None alluded to the inadequacy of the targets. Table 4.4.1 below shows the responses.

**Table 4.4.1 Adequacy of performance targets set for the ministry**

	Frequency	Percent	Cumulative percent
Highly adequate	5	50	50
Adequate	5	50	100
Inadequate	0	0	100
Highly inadequate	0	0	100
Total	10	100	

The interviewees were also required to explain their answers on the adequacy of targets. They argued that targets were comprehensively discussed internally and externally by both officers from the ministry and those from the Performance Contracting Ad Hoc Committee. They also stated that target setting was done at various levels and each level involved thorough scrutiny of the targets. Others argued that their ministries had broad mandates and the set targets reflected the mandate. As a result, targets, which were drawn from the strategic plan and other policy documents, were eventually realized.

**4.5 Effectiveness of the Negotiation Process with the PCSCS**

The interviewees were asked to state the effectiveness of the negotiation process with PCSCS. It was noted that 100% of the respondents were of the view that the negotiations for target setting were very effective as they were guided by the criteria set out by the PC Secretariat. Their responses are shown in Table 4.5.1 below:

**Table 4.5.1 Effectiveness of Negotiation Process with the PCSCS**

		Frequency	Percent	Cumulative percent
Valid	Highly effective	0	00	0
	Effective	10	100	100
	Ineffective	0	0	100
	Highly ineffective	0	0	100
Total		10	100	

In their explanations, the interviewees postulated that the process is participatory and all inclusive. The Secretariat is well versed with the Ministries’ mandate and therefore,



ensured that only realistic targets were set. They also argued that the Secretariat provided good climate for negotiation leading to easy consensus building. To some extent however, the Secretariat was seen to be domineering in the negotiations and that they had the final word on the targets to be implemented.

**4.6 Free Negotiation of Targets**

Majority of the interviewees posited that the Secretariat took time to explain every target that was not easily understood and helped the ministries to sharpen some of their targets. In addition, the negotiation process was seen to be participatory and all-inclusive. However, the minority said that although the negotiations were done the Secretariat had an upper hand that led to imposition of some of the targets.

Asked if targets were freely negotiated, 90% (nine out of ten) said that they were freely negotiated and only 10% felt otherwise. This is summarized in Table 4.5.1 below:

**Table 4.6.1 Free Negotiation of Targets**

	Frequency	Percent	Cumulative percent
Yes	9	90.0	90
No	1	10	100
Total	10	100	

**4.7 Steering implementation of Performance Targets**

50% of those interviewed said that the top management was responsible for the implementation of performance targets in the ministry while the other 50% said technical officers steered the process. The results are shown in Table 4.7.1 below:

**Table 4.7.1 Steering implementation of Performance Targets**

	Frequency	Percent	Cumulative Percent
Top Management	5	50.0	50.0
Technical Officers	5	50.0	100.0
Total	10	100.0	

Specifically, the interviewees indicated that Permanent Secretaries, Heads of Department and CPPMU were key in steering the implementation of targets. In three ministries, Ministerial Management Units (MMUs) were very active and one of their critical roles is to take lead in the implementation of the targets. Another three ministries indicated that they had formed ministerial Performance Contracts Secretariat to spearhead the entire process of performance contracting.

**4.8 Capacity to steer the Performance Targets Implementation Process**

The interviewees were asked to determine if they had adequate capacity in their ministries to steer the implementation of the ministerial targets. 90% were of the view that their ministries had the requisite capacity and only 10% said they did not have the necessary capacity as shown in Table 4.8.1 below:

**Table 4.8.1 Capacity to steer Performance Targets Implementation Process**

	Frequency	Percent	Cumulative Percent
Yes	9	90.0	90.0
No	1	10.0	100.0
Total	10	100.0	

Those who answered in the affirmative further stated that a series of extensive and appropriate training/sensitization programmes had been conducted to prepare the officers for performance contracting. In one specific ministry, the interviewees argued that teambuilding programmes were continuously undertaken in the ministry and this motivated officers to work together for the common goal of ensuring successful implementation of the targets. The team spirit prompted the officers to constantly hold weekly meetings as a way of continuously checking on the progress of implementation. Where the CPPMU spearheaded the process, the interviewees were confident that due to their background, capped with the sensitization programmes on performance contracting, the economists were qualified enough to steer the implementation process.

Those who answered negatively argued that adequate training was not provided for during the implementation of performance contracts period.

4.9 Submission of quarterly reports

90% of those interviewed confessed that they submitted their quarterly reports on time during the years in question while 10% did not. The ministries were able to make timely submission of their reports for various reasons: There was commitment of staff members and especially the leading teams, clear understanding of what needed to be done, commitment to the deadlines set by the PCSCS which were dealt with by drawing very clear calendars, support of Top Management who not only emphasized the importance of the PC on improving service delivery but also facilitated for the availability of appropriate resources, timely receipt of data from technical officers and Heads of Department, consultative/participatory approach and most importantly, targets were allocated to specific officers for coordination to ensure that they were timely achieved.

Those who did not submit their reports on time argued that they did not receive submissions from the Heads of Department and the field on time. Others argued that clarification of issues that were initially unclear took time to be sorted out.

4.10 Purpose of feedback received from the Performance Contracting Steering Committee Secretariat (PCSCS)

The interviewees were asked if the feedback they received from the PCSCS was helpful. 90% said it was very helpful while 10% did not find it valuable. These responses are represented in Table 4.10.1 below:

Table 4.10.1 Purpose of the feedback received from the PCSCS

	Frequency	Percent	Cumulative Percent
Yes	9	90.0	90.0
No	1	10.0	100.0
Total	10	100.0	

Those who found the feedback important said that it helped the ministry take corrective action especially on the weak areas. It also guided them to sharpen their reporting skills and hence, improving in future reports.

#### **4.11 Factors influencing remarkable improvement in the Performance of the Ministries**

There are various factors that influence performance of organizations. These factors are not mutually exclusive, nor collectively exhaustive. Hence, interviewees were asked to rank the various factors on a likert scale and to state any other factors that were critical for successful implementation of performance contracts during the period in question.

The results establish that with regard to the internalization and institutionalization of performance contracting in the ministries, the interviewees work is viewed as very important by 70% and important by 30% of the interviewees. This is an indication of approval of the performance contract as a way of enhancing work performance in the ministries. 60% and 40% of the interviewees respectively, thought it was very important and important for employees to adopt to change for the successful implementation of performance contracts within the organization. This requires that the employee exhibit flexibility and change of mindset towards their work patterns and tasks.

Further, 90% of the interviewees noted that it was very important that the organization has good leadership and support as well as commitment of senior managers as being critical in the effective institutionalization of the performance contracting in an organization. Positive attitude towards the implementation of performance contracts by the managers was viewed as being very important by 80% of the interviewees while 20% thought it was important. There is need for managers to exhibit favourable approaches towards performance contracting.

60% of the interviewees asserted that communication was very important in organizational performance while 40% thought it was important in ensuring smooth implementation of the performance contracts in the organization. There is need for the development of an Information, Education and Communication strategy for synchronized delivery of information for successful implementation of performance contracting.

80% of the interviewees felt that setting and implementing realistic targets was very important as it contributed highly to successful implementation of performance contracts in the ministries. On the other hand, 10% felt it was important and another 10% thought it

was not important. On the contrary, highly ambitious targets were viewed as very important by only 20%, important by 30% and not important by 50%. 80% of the interviewees said that having clear targets was critical for effective implementation of performance targets and 20% as important. None of the interviewees indicated that clear targets were not important. In addition, 80% of the interviewees said that it is very important to have targets appropriately integrated with strategy. However, 20% said that such targets were important. Targets that are well integrated into strategy help in the undertaking of core functions in any organization.

On appropriate training of employees for successful implementation of performance contracts, 90% of the interviewees felt it was very important and only 10% thought it was important. Overall, the responses indicated that training of employees on the new concept was very critical for them to effectively undertake the respective roles and functions in the implementation of performance contracts.

80% of the interviewees felt that adequate resources, financial or otherwise, were a prerequisite for successful performance while 20% felt they were important. On the other hand, timely availability of resources was also critical for timely implementation of targets as indicated by the number of interviewees (80%) while 20% felt it was important.

40 % of the interviewees viewed a well articulated performance reward/ penalty system as very important for successful implementation of performance contracts while 30% thought it was important. Another 30% felt that this system was not at all important. On autonomy and empowerment of employees to meet targets, 50% felt this was a very critical factor, 40% thought it was important while 10% felt it was not important.

Further, 30% of the interviewees did not find it necessary to involve external stakeholders in the setting of targets, 50% thought it was important while 20% thought it was very important. This is an indication that target setting is a crucial aspect that needs the involvement of stakeholders in the organization for enhanced performance.

The above findings are summarized in Table 4.11.1 below:

**Table 4.11.1 Factors influencing remarkable improvement in the Performance of the Ministries**

	<b>Critical factors for successful Implementation of performance contracts</b>	<b>Very Important %</b>	<b>Important %</b>	<b>Not Important %</b>
1.	Internalization of new concept of PC	70	30	-
2.	Adaption to change by employees	60	40	-
3.	Adaption to change by managers	80	20	-
4.	Good leadership	90	10	-
5.	Support and commitment by senior managers	90	10	-
6.	Positive attitude among managers	80	20	-
7.	Appropriate communication	60	40	-
8.	Realistic targets	80	10	10
9.	Highly ambitious targets	20	30	50
10.	Clear targets	80	20	-
11.	Targets appropriately integrated with strategy	80	20	-
12.	Appropriate training of employees	90	10	-
13.	Adequate resources	80	20	-
14.	Timely availability of required resources	80	20	-
15.	Articulation of performance reward/penalty system	40	30	30
16.	Autonomy and empowerment of employees to meet targets	50	40	10
17.	Involvement of external stakeholders	60	40	-

#### **4.12 Other factors critical for successful implementation of performance contracts**

In addition to the factors stated in 4.10 above, the interviewees identified other factors that contributed to successful implementation of performance contracts in their ministries in 2006/2007. Of importance is the issue of implementation of clear and well-defined targets set by well versed and competent officers. Employees also demonstrated a common understanding of the targets. This implied that the ministries were working towards a common goal. This is likely to have motivated the ministries to obtain high levels of achievement. Other factors that were identified include: clear documentation of achievements. It was revealed that as ministries undertook to implement their targets, they gathered the relevant evidence as it was for future reference during the evaluation;

sharing of results by various departments and stakeholders helped the ministries improve on the areas that they had not initially done well; institutionalization of the process of performance contracting made officers to appreciate the concept at all levels; once the performance contract was signed, some ministries set up implementation teams to oversee the implementation process. Such teams developed comprehensive work programmes for the implementation of the Contracts in addition to effective monitoring and evaluation systems. Also important was the spirit of teamwork that was entrenched in the cultures of the ministries. Lastly, favourable working environment, general support and commitment of the senior management all contributed to the successful implementation of performance contracts during the years of study

**4.13 Challenges identified in implementing performance contracts**

To investigate if the ministries experienced any difficulties in implementation of the performance contracts, 90% of the interviewees admitted that a range of obstacles threatened successful implementation while 10% did not.

When interrogated further, the interviewees identified several specific challenges that affected their smooth implementation of performance contracts. Such challenges included: insufficient time to undertake activities to meet the relevant targets; sometime, there was shortage of staff especially in the MMUs and ministerial performance contracting secretariat. This was as a result of unplanned and untimely transfer of officers who spearheaded the implementation process or by natural attrition. In some situations, the huge resources that were required to implement the targets were not always forthcoming. That implied that some activities were delayed, reformulated or shelved. Another related challenge that emerged was brought about by under-budgeting of some activities, hence, leading to inadequate finances to undertake those activities. Further, the interviewees argued that in some situations, lack of relevant skills hampered the implementation process, not to mention the lack of clear guidelines as to what needed be done and at times poor assignment of responsibility to staff. These challenges are summarized below in Table 4.13.1

**Table 4.13.1 Challenges in implementing PC**

S/No.	Challenge
1	Shortage of Staff
2	Inadequate resources
3	Time constraints
4	Shortage/delay in disbursement of funds
5	Lack of relevant skills
6	Unclear guidelines
7	Assigning responsibilities
8	Commitment

**14.14 Strategies put in place to resolve the challenges**

The interviewees went ahead to indicate the strategies that the ministries adopted to tackle the problems that they experienced in 4.13 above. They included; support of top management which facilitated for the deployment of the right staff with relevant skills mix in the ministerial performance contracts units; sensitization of staff with particular focus on prioritization of performance contracting activities; working closely with the PCSCS for guidance; development of a strong monitoring and evaluation (M &E) system to ensure that implementation of activities was always on track; working smart with the constrained budgetary allocations; allocation of activities to individual officers for implementation. In addition, the performance contracting implementation teams were encouraged to ensure proper planning in line with the PCSC Secretariat strategy and set out refined priorities. One ministry was very innovative. They introduced the “Reminder’s System” to ensure that reports were submitted on time.

On the other hand, the ministerial performance contracting committees undertook to use the Rapid Results Initiatives (RRI) Approach to fast track some of the targets within the performance contract. Others found it very important to create networks with stakeholders for smooth working relations. Staff were trained and had team building



activities for bonding to work towards a common purpose. Having undergone thorough training, the ministerial teams took up a team like proactive approach towards the implementation of their performance targets by setting clear prioritized and SMART targets. Top Management not only emphasized the importance of the performance contract on improving service delivery but also facilitated for the availability of appropriate resources.

The Strategies put in place to resolve the challenges experienced during implementation of performance contracts are summarized in Table 14.14.1below:

**14.14.1 Strategies to resolve challenges**

S/No.	Strategy
1	Network with stakeholders
2	Staff training
3	Proper planning
4	Top management support
5	RRI Approach
6	Commitment of funds
7	Penalties of delayed achievements
8	Extra budgetary allocation
9	Team building initiatives
10	Strong M & E system
11	Refined priorities
12	Sought clarity with PC Secretariat

**14.15 Summary of factors facilitating dramatic performance of the five ministries**

To determine the unique factors that prompted the ministries to perform dramatically in 2006/2007, interviewees were required to give a summary of what their ministries did so differently from the previous year. One key factor was the emphasis that was given to documentation of achievements. Some interviewees felt that their ministries had

performed decimally in the previous year due to their inability to provide tangible evidence that they had undertaken certain activities. As a result, in the following year, there was high determination to keep appropriate documentation in order. Part of the documentation process included disseminating quarterly reports to Heads of Department and stakeholders to validate the achievements that had been made. This allowed them to beef up evidence before submission to the PCSCS.

In all the five ministries, the performance contracts had been cascaded down to the Heads of Department who further assigned particular targets to officers under them to follow up on implementation. This made all employees feel that they were part and parcel of the performance contracting process. In addition, employees became more proactively involved in the process, therefore, enhancing accuracy and timely reporting of achievements. More importantly, the ministries had put in place Secretariats/Committees to deal with the performance contract issues. Most of the Secretariats/Committees reported directly to the Permanent Secretary who was the Chair. This allowed for timely interventions especially where finances were concerned.

Another critical factor was the extensive training and sensitization of both top management and middle level officers on the broader RBM and Performance Contracting. It was this sensitization that exposed the ministries to the RRI, an approach that accelerated the achievement of targets. By so doing, both top managers and the technical people had a better and common understanding to what comprised their targets and what they needed to do.

Strategic leadership was critical in the successful implementation of targets. The leadership commitment to successful implementation of the targets motivated the staff who were committed to successful implementation of the targets. Another unique factor was the continuous monitoring and evaluation of the implementation of performance targets. This allowed for tracking of targets implementation and making of requisite interventions on time.

It was revealed that Ministry of Housing did not sign a Performance Contract in 2005/2006. It had just been hived off from the Ministry of Public Works and Housing in December 2005. That implied that there were no proper administrative structures to implement performance contract. According to them, therefore, they should not have been ranked. It was only in 2006/2007 that the Ministry became fully functional, with its own staff and resources to implement their own set targets. Thus, in the view of those interviewed, PCSCS had portrayed their inefficiency.

The summary of factors facilitating dramatic performance in 2006/2007 is shown in Table 14.15.1 below:

**14.15.1 Summary of factors facilitating dramatic performance of the five ministries**

S/No.	Factors facilitating dramatic performance of the five ministries
1	Proper documentation of achievements
2	Timely disbursement of funds
3	Staff training on performance contracts
4	Meeting deadlines
5	Top level management support
6	Team work
7	Implementation of work plans
8	Institutionalization of PC

## CHAPTER FIVE

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This chapter provides the summary of study findings, conclusions and recommendations arising. The chapter concludes with limitations to the study and suggestions for further research.

#### 5.1 Summary of the findings

Current study was based on an descriptive study design and sought answers to the following questions; (i) What factors made it possible for the Ministry of Housing, Office of the Vice President and Ministry of Home Affairs, Ministry of Health, Ministry of State for Immigration and Registration of Persons and Ministry of Justice and Constitutional Affairs to make remarkable improvement from bottom fifteen (15) in 2005/2006 performance evaluation to the top ten (10) in 2006/2007 evaluation? (ii) What are the challenges faced by these ministries during the implementation of the Contracts? (iii) How did the ministries overcome the above challenges? To achieve the study objectives, both primary and secondary data were employed in the research. The data collected was then analyzed using descriptive statistics and content analysis.

Findings show that successful implementation of performance contracts does not come by accident. The relevant ministries/organizations must make deliberate efforts through proper planning and implementation of workable programmes. The ministries under study realized that it was only by doing things differently that they would achieve their targets successfully. Involvement of top managers and their support for the process was critical for effective institutionalization of performance contracts. Lack of goodwill from organizational leadership and top management as well as inadequate provision of relevant resources can hamper successful achievement of set targets. Extensive and continuous training of employees is core in embracing new concepts. This facilitates performance-oriented change. The ministries under study were able to improve their performance as they made sensitization and training part and parcel of their management culture for a particular purpose. It was not training for its own sake. It was demand

driven. Establishment of core teams to oversee implementation of performance contracts, the ministerial Secretariats/Committees, was a development that ensured that officers were available to effectively monitor implementation of targets for timely interventions.

In implementing performance contracts effectively, certain barriers were experienced. Among those identified included; lack of adequate resources, delays in disbursing funds, shortage of staff especially in the MMUs and ministerial performance contracting secretariats due to unplanned and untimely transfer of officers.

To ensure success, despite the above challenges, several strategies were adopted: Support of top management was sought. This facilitated deployment of staff with requisite skills in the ministerial performance contracts units and timely provision of resources, including finances. Other strategies included; development of strong M & E systems to ensure that implementation of activities was on track; introduction of new management systems, RRI Approach that helped to fast track some of the targets within the performance contract. Effective communication as well as creation of networks with stakeholders enhanced smooth working relations for effective performance.

## **5.2 Conclusions and Recommendations**

Generally, performance contracting as a tool of RBM has made the Public service to be more focused on results as opposed to process-orientation. Setting of targets and their achievement as well as management by results has significantly improved performance in the public service.

Performance contracting is not a substitute for poor management. It will only succeed where best management practices have been implemented. Thus, strategic planning, training and capacity building, monitoring and evaluation of programmes, inclusion of all stakeholders in the setting of realistic and achievable targets, are all central in successful implementation of performance contracts. Cascading of performance contracts to departments is critical as it provides for achievement of targets at individual levels. In the public service, this facilitates effective performance appraisal at that level.

It is recommended that besides target setting, an implementation strategy should be introduced to guide the users in effective delivery of results through performance contracting. Also important is the need for organizational leadership to provide timely and adequate resources for effective implementation of targets. Such leadership should also be fully engaged in the entire process of performance contracting.

One aspect of performance management that should be implemented alongside implementation of performance contracts is the rewards and penalty system. However, this has not been clearly implemented. It is recommended that for employees to focus fully on achieving results, and for sustenance of motivational levels, an effective rewards and penalty system be introduced in the civil service.

To ensure accountability, Government should consider effecting Information, Education and Communication (IEC) strategies in every ministry for them to communicate their own achievements in addition to what PCSCS does. More often than not, it is the media that puts ministries in the limelight and on negative achievements for selfish interests. If ministries took the initiative to inform and educate the public on their functions and achievements, there would be less criticisms on their roles.

### **5.3 Limitations of the study**

Current study is not without limitations. There was limited time for carrying out interviews with the right people. This forced the researcher to make constant phone calls and at times unnecessary visits hoping to be granted interviews but to no avail. In addition, the findings could be biased since it was difficult to get top management for the interviews. Some of the interviewees were intimidated by the fact that the researcher was referred to them by the senior managers. This made them very careful in regard to the responses that they gave. Further, only five ministries were used in the study. The findings may, therefore, not be representative enough for the entire civil service. It is important that a study of various other ministries be undertaken.

#### **5.4 Recommendations for further research**

To further understand the implementation of performance contracts in the public service, current study suggests other areas for further research that could provide insights on the successes and challenges of performance contracts: A comparative study on a sector-wide approach would give insights to the successes and challenges of various ministries within a broad common area.

Further research could be conducted on the public to determine if the successes of performance contracting have positively impacted on them (taxpayers) in terms of improved public service delivery.

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## APPENDICES

### Appendix 1: Performance Evaluation Results for Ministries/Departments for 2005/2006

Rank	Ministry/department
1.	Ministry of Agriculture
2.	Ministry of State for Heritage
3.	Ministry of Tourism and Wildlife
4.	Ministry of State for Provincial Administration and Internal Security
5.	Ministry of Information and Communications
6.	Ministry of Roads and Public Works
7.	Ministry of Energy
8.	Ministry of Water and Irrigation
9.	Ministry of State for Special Programmes
10.	Ministry of Labour and Human Resource Development
11.	Ministry of Cooperative Development and Marketing
12.	Ministry of Planning and National Development
13.	Ministry of Finance
14.	Ministry of Gender, Sports, Culture and Social Services
15.	Ministry of Livestock and Fisheries Development
16.	Ministry of Education
17.	Ministry of State for Public Service
18.	Ministry of Regional Development Authorities
19.	State House
20.	Cabinet Office
21.	Ministry of State for Defence
22.	Ministry of Justice and Constitutional Affairs
23.	Ministry of Health
24.	Public Service Commission
25.	Ministry of Lands
26.	Ministry of Environment and Natural Resources

- 27. Ministry of Trade and Industry
- 28. Ministry of Immigration and Registration of Persons
- 29. Office of the Vice President and Ministry of Home Affairs
- 30. Ministry of Foreign Affairs
- 31. Ministry of East African Community
- 32. Ministry of Transport
- 33. State Law Office
- 34. Ministry of Housing
- 35. Ministry of Local Government – Not ranked

## **Appendix 2: Performance Evaluation Results for Ministries/Departments for 2006/2007**

<b>Rank</b>	<b>Ministry/department</b>
1.	Ministry of Gender, Sports, Culture and Social Service
2.	Ministry of Regional Development Authorities
3.	Ministry of State for Special Programmes
4.	Ministry of Energy
5.	<b>Ministry of Housing</b>
6.	<b>Office of the Vice President and Ministry of Home Affairs</b>
7.	Ministry of National Heritage
8.	<b>Ministry of Health</b>
9.	<b>Ministry of Immigration and Registration of Persons</b>
10.	<b>Ministry of Justice and Constitutional Affairs</b>
11.	Ministry of Education
12.	Ministry of Labour and Human Resource Development
13.	State House
14.	Ministry of State for Provincial Administration and Internal Security
15.	Public Service Reform and Development Secretariat
16.	Ministry of Lands
17.	Ministry of Information and Communications
18.	Ministry of Tourism and Wildlife
19.	Ministry of Finance
20.	Cabinet Office
21.	Ministry of East African Community
22.	Ministry of Transport
23.	Ministry of Science and Technology
24.	Ministry of Youth Affairs
25.	Ministry of Agriculture
26.	Ministry of Cooperative Development and Marketing
27.	Ministry of State for Public Service
28.	Ministry of Local Government

- 29. Ministry of Trade and Industry
- 30. Ministry of Water and Irrigation
- 31. Public Service Commission
- 32. Ministry of Roads and Public Works
- 33. Ministry of Livestock and Fisheries
- 34. Ministry of Environmental and Natural Resources
- 35. Ministry of Planning and National Development
- 36. Ministry of State Law Office
- 37. Ministry of Foreign Affairs



Appendix 3: Interview Guide

Ministry of .....

Questionnaire

Dear Respondent

The current study seeks to explore the factors that influenced implementation of performance contracts in the ministries that recorded remarkable performance improvement in 2006/2007 financial year. In particular, your ministry was ranked No. 5 out of 37 in 2006/2007 having risen from No. 34 out of 35 in 2005/2006. Your participation in facilitating the study will be highly appreciated.

PART A: GENERAL INFORMATION

- 1. Respondents Name (Optional) .....
- 2. Designation.....
- 3. For how long have you served in the current position? ..... (Years)
- 4. What other positions (if any) have you served in the Ministry?
  - (i) .....
  - (ii) .....
  - (iii).....
  - (iv).....
- 5. Has your Ministry fully embraced the concept of performance contracting?  
Yes/No

Please explain your answer above?

.....  
.....  
.....  
.....

- 6. Were you trained on performance contracting before its implementation in the ministry in 2005? Yes/No

If yes, to what extent were you adequately prepared?

Aspect	Highly prepared	Moderately prepared	Poorly prepared
Training	[ ]	[ ]	[ ]

Please comment

.....  
.....  
.....  
.....

**PART B: NEGOTIATION OF PERFORMANCE CONTRACT**

7. Who steers performance target setting in the ministry?

Top management      [ ]  
Technical Officers    [ ]

8. In your view, to what extent were the performance targets set for the ministry adequate?

Highly adequate      [ ]  
Adequate              [ ]  
Inadequate            [ ]  
Highly inadequate    [ ]

Kindly explain

.....  
.....  
.....

9. How would you term the effectiveness of the negotiation process with the Performance Contracts Steering Committee Secretariat?

Highly effective      [ ]  
Effective              [ ]  
Ineffective            [ ]  
Highly ineffective    [ ]

Please explain your answer

.....  
.....  
.....

10. In your opinion, were the targets freely negotiated? Yes/No

Briefly explain your answer

.....  
.....  
.....  
.....

**PART C: IMPLEMENTATION/EVALUATION OF PERFORMANCE CONTRACT**

11. Who steered the implementation of the performance targets in your ministry?  
.....
12. Do you think there was adequate capacity to steer the implementation process?  
Yes/No

Briefly explain  
.....  
.....  
.....  
.....

13. Were you able to submit your quarterly reports on time?      Yes/No

If your answer is YES, what would you consider as the reasons for timely submission?

- (i) .....
- (ii) .....
- (iii).....
- (iv).....

If your answer is NO, what would you consider as the reasons for lateness?

- (i) .....
- (ii) .....
- (iii).....
- (iv).....

14. Was the feedback received from the Performance Contracting Steering Committee Secretariat helpful? Yes/No

Briefly explain  
.....  
.....  
.....  
.....

**PART D: FACTORS ASSOCIATED WITH IMPROVED PERFORMANCE**

15. How important did the factors below influence the remarkable performance in your ministry?

Critical factors for successful Implementation of performance contracts		Very Important	Important	Not Important
i.	Internalization of the new concept of performance contracting	[ ]	[ ]	[ ]
ii.	Adaption to change by employees	[ ]	[ ]	[ ]
iii.	Adaption to change by managers	[ ]	[ ]	[ ]
iv.	Good leadership	[ ]	[ ]	[ ]
v.	Support and commitment by senior managers	[ ]	[ ]	[ ]
vi.	Positive attitude among managers	[ ]	[ ]	[ ]
vii.	Appropriate communication	[ ]	[ ]	[ ]
viii.	Realistic targets	[ ]	[ ]	[ ]
ix.	Highly ambitious targets	[ ]	[ ]	[ ]
x.	Clear targets	[ ]	[ ]	[ ]
xi.	Targets appropriately integrated with strategy	[ ]	[ ]	[ ]
xii.	Appropriate training of employees	[ ]	[ ]	[ ]
xiii.	Adequate resources	[ ]	[ ]	[ ]
xiv.	Timely availability of required resources	[ ]	[ ]	[ ]
xv.	Articulation of performance reward/penalty system	[ ]	[ ]	[ ]
xvi.	Autonomy and empowerment of employees to meet targets	[ ]	[ ]	[ ]
xvii.	Involvement of external stakeholders	[ ]	[ ]	[ ]

16. Besides the above factors, are there any other factors that were critical for successful implementation of your performance contracts for the period in question? Yes/No

If your answer is yes, briefly state the factors.

- (i) .....
- (ii) .....
- (iii).....
- (iv).....

17. Are there any challenges that you identified in implementing the performance contract? Yes/No

If yes, which ones are they?

- (i) .....
- (ii) .....
- (iii).....
- (iv).....

18. Kindly explain what strategies the ministry put in place to resolve the challenges above.

- (i) .....
- (ii) .....
- (iii).....
- (iv).....

19. In summary, what is it that the ministry did so differently in 2006/2007 compared to 2005/2006 that led to such dramatic performance?

.....

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.....

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.....

.....

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DATE... 22/10/08 .....

**TO WHOM IT MAY CONCERN**

The bearer of this letter LUCY N. KIRUTHY .....

Registration No: Δ61/P/8573/04 .....

is a Master of Business Administration (MBA) student of the University of Nairobi.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate if you assist him/her by allowing him/her to collect data in your organization for the research.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

**DR. W.N. IRAKI**

**CO-ORDINATOR, MBA PROGRAM**

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